

**TOWN OF NANTUCKET, MASSACHUSETTS**

**GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002 AND  
INDEPENDENT AUDITOR'S REPORTS THEREON  
TOGETHER WITH SINGLE AUDIT REPORT**

**COUNTY OF NANTUCKET, MASSACHUSETTS**

**GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002 AND  
INDEPENDENT AUDITOR'S REPORTS THEREON**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen  
Town of Nantucket, Massachusetts

We have audited the accompanying general purpose financial statements of the Town of Nantucket, Massachusetts as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Town of Nantucket, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Nantucket Memorial Airport and the Wannacomet Water Department, which represents 54 percent and 61 percent, respectively, of the assets and revenues of the proprietary fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Nantucket Memorial Airport and the Wannacomet Water Department, is based on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

As is the practice of many governmental units in the Commonwealth of Massachusetts, the Town has not maintained a complete record of the cost of its general fixed assets and, accordingly, a complete general fixed assets account group, required by generally accepted accounting principles, is not presented in the accompanying general purpose financial statements.

In our opinion, based on our audit and the reports of other auditors, except for the omission of a complete general fixed asset group of accounts, results in an incomplete presentation, as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Nantucket, Massachusetts, as of June 30, 2002 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2003 on our consideration of the Town of Nantucket, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Town of Nantucket, Massachusetts, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. The combining statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Nantucket, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Thomas J. Scanlon,  
Certified Public Accountant

South Deerfield, Massachusetts  
May 30, 2003

**TOWN OF NANTUCKET, MASSACHUSETTS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP  
JUNE 30, 2002**

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type	Account Group	Totals
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	Long Term Debt	(Memorandum Only)
<b>Assets</b>								
Cash and Cash Equivalents (Schedule G, Note 4A)	\$ 9,443,441	\$ 343,209	\$ 1,470,944	\$ 1,408,195	\$ 431,935	\$ 581,798	-	\$ 13,679,522
Investments (Schedule H, Note 4B)	3,367,500	-	-	5,523,664	-	4,514,792	-	13,405,956
Cash and Investments in Custody of Trustees (Note 4C)	-	-	-	-	-	70,583	-	70,583
Accounts Receivable								
Property Taxes (Schedule I)	1,979,740	41,695	-	-	-	-	-	2,021,435
Excise Taxes (Schedule J)	811,577	-	-	-	-	-	-	811,577
Tax Liens (Schedule K)	2,035,110	-	-	-	-	-	-	2,035,110
Departmental (Schedule L)	111,787	440,118	-	859,104	-	-	-	1,411,009
User Charges (Schedule M)	76,320	-	-	1,455,090	-	-	-	1,531,410
Special Assessments Not Yet Due (Schedule N)	3,904	25,171	-	-	-	-	-	29,075
Less: Allowance for Uncollectible Account	(362,504)	-	-	(112,000)	-	-	-	(474,504)
Due from Other Funds (Note 4E)	-	1,915,392	6,475,844	-	-	-	-	8,391,236
Interfund Receivables (Note 4F)	807,588	-	-	-	-	-	-	807,588
Inventories (Note 4G)	-	-	-	201,294	-	-	-	201,294
Advance Deposit (Note 4H)	-	-	-	-	764,400	-	-	764,400
Due from Other Governments (Note 4I)	214,850	1,904,789	-	3,555,783	-	-	-	5,675,422
Deferred Charges and Prepaid Expenses	-	-	-	4,476	-	-	-	4,476
Tax Foreclosures (Schedule K)	1,177	-	-	-	-	-	-	1,177
Fixed Assets, (net, where applicable, of accumulated depreciation) (Note 4J)	-	-	-	52,566,863	-	-	-	52,566,863
Amount to be Provided for Payment of Notes/Debt (Note 4N)	-	-	-	2,449,009	-	-	\$ 40,135,893	42,584,902
<b>Total Assets</b>	<b>\$ 18,490,490</b>	<b>\$ 4,670,374</b>	<b>\$ 7,946,788</b>	<b>\$ 67,911,478</b>	<b>\$ 1,196,335</b>	<b>\$ 5,167,173</b>	<b>\$ 40,135,893</b>	<b>\$ 145,518,531</b>

The Notes to the Financial Statements are an integral part of this Statement

**TOWN OF NANTUCKET, MASSACHUSETTS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP  
JUNE 30, 2002**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Group	Totals
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	(Memorandum Only)
<b>Liabilities and Fund Equity</b>							
<b>Liabilities:</b>							
Warrants Payable (Note 4K)	\$ 1,202,065	\$ 216,787	\$ 1,234	\$ 1,362,429	-	\$ 23,882	\$ 2,806,397
Accounts Payable	-	20,153	-	419,361	-	-	439,514
Retainage Payable and Accrued Expense:	-	10,070	258,388	239,835	-	-	508,293
Employee Withholding:	198,343	-	-	-	-	-	198,343
Refundable Deposits	400,790	-	2,496	152,035	-	-	555,321
Due to Other Funds (Note 4E)	5,900,046	-	-	29,071	\$ 2,425,680	36,439	8,391,236
Interfund Payables (Note 4F)	-	88,057	-	532,828	-	186,703	807,588
Due to Other Governments (Note 4M)	113,168	-	-	-	-	-	113,168
Due to Student Groups	-	-	-	-	-	124,341	124,341
Taxes Collected in Advance	5,386	-	-	-	-	-	5,386
Unearned Revenue	-	-	-	98,304	-	-	98,304
Deferred Revenue:	-	-	-	-	-	-	-
Property Taxes	1,281,797	-	-	-	-	-	1,281,797
Other (Note 4L)	3,178,925	2,217,892	-	3,650,244	-	-	9,047,061
Advances	-	-	-	13,100	-	-	13,100
Accrued Claims	-	-	-	-	735,820	-	735,820
Liabilities to be Repaid from Enterprise Funds - Bonds Payabl	-	-	-	1,520,000	-	-	1,520,000
Notes Payable (Note 4O)	-	-	-	2,204,717	-	-	2,204,717
General Obligation Bonds Payable (Note 4N)	-	-	-	5,779,009	-	\$ 40,135,893	45,914,902
<b>Total Liabilities</b>	<b>12,280,520</b>	<b>2,552,959</b>	<b>262,118</b>	<b>16,000,933</b>	<b>3,161,500</b>	<b>371,365</b>	<b>74,765,288</b>
<b>Fund Equity:</b>							
Contributed Capital (Note 4P)	-	-	-	38,909,517	-	-	38,909,517
Retained Earnings							
Reserved Retained Earnings (Note 4Q)	-	-	-	1,830,644	-	-	1,830,644
Reserved for Deficits (Note 2B)	-	-	-	(1,585,620)	-	-	(1,585,620)
Unreserved Retained Earning:	-	-	-	12,756,004	-	-	12,756,004
Fund Balances							
Reserved for Encumbrances (Note 4R)	563,472	-	3,206,401	-	-	-	3,769,873
Reserved for Nonexpendable Trust Principal (Note 4R)	-	-	-	-	-	1,362,520	1,362,520
Reserved for Over (Under) Estimates (Note 2B)	(26,498)	-	-	-	-	-	(26,498)
Reserved for Deficits (Note 2B)	(162,837)	-	-	-	(1,965,165)	-	(2,128,002)
Designated for Subsequent Years' Expenditures (Note 4R)	15,651	57,000	1,014,523	-	-	1,065,000	2,152,174
Designated for Continuing Appropriations (Note 4R)	791,053	-	3,463,746	-	-	-	4,254,799
Undesignated	5,029,129	2,060,415	-	-	-	2,368,288	9,457,832
<b>Total Fund Equity</b>	<b>6,209,970</b>	<b>2,117,415</b>	<b>7,684,670</b>	<b>51,910,545</b>	<b>(1,965,165)</b>	<b>4,795,808</b>	<b>70,753,243</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 18,490,490</b>	<b>\$ 4,670,374</b>	<b>\$ 7,946,788</b>	<b>\$ 67,911,478</b>	<b>\$ 1,196,335</b>	<b>\$ 5,167,173</b>	<b>\$ 145,518,531</b>

The Notes to the Financial Statements are an integral part of this Statement

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types			Fiduciary Fund Types	Totals
	General Fund	Special Revenue	Capital Projects	Expendable Trusts	(Memorandum Only)
<b>Revenues:</b>					
Taxes	\$ 34,706,501	-	-	-	\$ 34,706,501
State Receipts	1,374,114	-	-	-	1,374,114
Excise and Other Taxes	3,278,458	-	-	-	3,278,458
Licenses, Permits, Fee:	4,493,892	-	-	-	4,493,892
Interest and Penalties on Delinquent Tax	355,939	-	-	-	355,939
Investment Income					
Interest and Dividends on Investment	485,365	-	\$ 9,140	\$ 244,106	738,611
Net increase (decrease) in fair value of securities	-	-	-	130,774	130,774
Grants and Fees	-	\$ 4,125,328	-	-	4,125,328
Intergovernmental	861,425	-	-	-	861,425
Bequests and Addition:	-	-	-	48,939	48,939
<b>Total Revenues (Note 3)</b>	<b>45,555,694</b>	<b>4,125,328</b>	<b>9,140</b>	<b>423,819</b>	<b>50,113,981</b>
<b>Expenditures:</b>					
Current:					
General Government	3,288,183	186,547	-	-	3,474,730
Public Safety	5,692,683	786,155	-	-	6,478,838
Public Works	1,725,109	172,604	-	40,480	1,938,193
Health and Human Service:	4,470,110	7,735	-	16,820	4,494,665
Education	14,799,120	2,276,056	-	130,950	17,206,126
Recreation and Culture	728,090	274,714	-	-	1,002,804
Insurance and Employee Benefit	6,907,681	-	-	123,699	7,031,380
State and County Assessment	340,584	-	-	-	340,584
Capital Outlay	-	-	713,861	-	713,861
Debt Service:					
Principal	2,135,000	-	-	-	2,135,000
Interest and Fiscal Charges	2,249,893	-	-	-	2,249,893
Continuing Appropriations:	153,090	-	-	-	153,090
<b>Total Expenditures (Note 3)</b>	<b>42,489,543</b>	<b>3,703,811</b>	<b>713,861</b>	<b>311,949</b>	<b>47,219,164</b>
Excess of Revenues Over (Under) Expenditures	3,066,151	421,517	(704,721)	111,870	2,894,817
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	792,410	350,042	504,937	-	1,647,389
Operating Transfers Out	(3,690,892)	(34,000)	-	(758,410)	(4,483,302)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,898,482)</b>	<b>316,042</b>	<b>504,937</b>	<b>(758,410)</b>	<b>(2,835,913)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>167,669</b>	<b>737,559</b>	<b>(199,784)</b>	<b>(646,540)</b>	<b>58,904</b>
<b>Fund Balances, Beginning of Year</b>	<b>6,042,301</b>	<b>1,379,856</b>	<b>7,884,454</b>	<b>4,079,828</b>	<b>19,386,439</b>
<b>Fund Balances, End of Year</b>	<b>\$ 6,209,970</b>	<b>\$ 2,117,415</b>	<b>\$ 7,684,670</b>	<b>\$ 3,433,288</b>	<b>\$ 19,445,343</b>

The Notes to the Financial Statements are an integral part of this Statement



## Exhibit C

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**COMBINED STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGETARY BASIS - (NON-GAAP)**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Budget/ Net Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Taxes	\$ 34,356,827	\$ 34,378,260	\$ 21,433
State Receipts	1,305,576	1,374,114	68,538
Excise and Other Taxes	2,870,881	3,278,458	407,577
Licenses, Permits, Fees	5,140,361	4,493,892	(646,469)
Interest and Penalties on Delinquent Taxes	270,000	355,939	85,939
Interest on Investments	548,900	485,365	(63,535)
Intergovernmental	779,379	861,426	82,047
<b>Total Revenues (Note 3)</b>	<b>45,271,924</b>	<b>45,227,454</b>	<b>(44,470)</b>
<b>Expenditures:</b>			
Current:			
General Government	3,526,274	3,431,758	94,516
Public Safety	5,908,725	5,727,797	180,928
Public Works	2,133,367	1,995,287	138,080
Health and Human Services	4,631,066	4,487,267	143,799
Education	14,755,257	14,799,120	(43,863)
Recreation and Culture	744,094	728,090	16,004
Insurance and Employee Benefits	6,903,533	6,911,625	(8,092)
State and County Assessments	314,086	340,584	(26,498)
Debt Service:			
Principal	2,135,000	2,135,000	-
Interest and Fiscal Charges	2,335,374	2,249,893	85,481
<b>Total Expenditures (Note 3)</b>	<b>43,386,776</b>	<b>42,806,421</b>	<b>580,355</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,885,148</b>	<b>2,421,033</b>	<b>535,885</b>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	792,410	792,410	-
Operating Transfers Out	(3,690,892)	(3,690,892)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2,898,482)</b>	<b>(2,898,482)</b>	<b>-</b>
<b>Budget Variance:</b>			
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (Note 2A)</b>	<b>\$ (1,013,334)</b>	<b>\$ (477,449)</b>	<b>\$ 535,885</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS/FUND BALANCES -**  
**ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
<b>Operating Revenues:</b>				
Collections and User Fees	\$ 6,213,241	-	-	\$ 6,213,241
Sales of Fuel and Additives (net of discounts)	3,450,033	-	-	3,450,033
Less: Cost of Goods Sold	(2,147,160)	-	-	(2,147,160)
Charges for Fees and Services	2,556,315	-	-	2,556,315
Other Revenue	606,237	-	-	606,237
Contributions from Employers and Employees	-	\$ 5,368,353	-	5,368,353
Bequests	-	-	-	-
<b>Total Operating Revenues</b>	<b>10,678,666</b>	<b>5,368,353</b>	<b>-</b>	<b>16,047,019</b>
<b>Operating Expenses:</b>				
Operating Costs	10,732,915	-	-	10,732,915
Depreciation Expense	1,519,206	-	-	1,519,206
Claims Paid	-	6,031,141	-	6,031,141
<b>Total Operating Expenses</b>	<b>12,252,121</b>	<b>6,031,141</b>	<b>-</b>	<b>18,283,262</b>
<b>Operating Income (Loss)</b>	<b>(1,573,455)</b>	<b>(662,788)</b>	<b>-</b>	<b>(2,236,243)</b>
<b>Non-Operating Revenues (Expenses):</b>				
Interest Income	243,897	8,784	-	252,681
State Subsidies for Debt Payments	74,684	-	-	74,684
Capital Outlay	(1,279,626)	-	-	(1,279,626)
Payment of Debt	(108,125)	-	-	(108,125)
Interest Expense	(448,334)	-	-	(448,334)
Loss on Retirement of Meters	(16,390)	-	-	(16,390)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(1,533,894)</b>	<b>8,784</b>	<b>-</b>	<b>(1,525,110)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(3,107,349)</b>	<b>(654,004)</b>	<b>-</b>	<b>(3,761,353)</b>
<b>Operating Transfers In (Out)</b>	<b>2,329,413</b>	<b>506,500</b>	<b>-</b>	<b>2,835,913</b>
<b>Net Income (Loss)</b>	<b>(777,936)</b>	<b>(147,504)</b>	<b>-</b>	<b>(925,440)</b>
Add depreciation on fixed assets acquired by capital grants/contributed capital	897,470	-	-	897,470
<b>Net Increase (Decrease) in Retained Earnings/Fund Balances</b>	<b>119,534</b>	<b>(147,504)</b>	<b>-</b>	<b>(27,970)</b>
<b>Retained Earnings/Fund Balances, Beginning of Year</b>	<b>12,881,494</b>	<b>(1,817,661)</b>	<b>\$ 1,362,520</b>	<b>12,426,353</b>
<b>Retained Earnings/Fund Balances, End of Year</b>	<b>\$ 13,001,028</b>	<b>\$ (1,965,165)</b>	<b>\$ 1,362,520</b>	<b>\$ 12,398,383</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NANTUCKET, MASSACHUSETTS  
COMBINED STATEMENT OF CASH FLOWS -  
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
<b>Cash Flows From Operating Activities:</b>				
Net Income (Loss)	\$ (777,936)	\$ (147,504)	\$ -	\$ (925,440)
Adjustments to reconcile net income to net cash provided by operating activities:				
Items not requiring cash:				
Depreciation	1,519,206	-	-	1,519,206
Loss on Retirement of Assets	16,390	-	-	16,390
Barter Income	(40,704)	-	-	(40,704)
Decrease (Increase) in Receivables	181,583	-	-	181,583
Decrease (Increase) in Amounts Due from Other Governments	(140,827)	-	-	(140,827)
Decrease (Increase) in Inventories	82,439	-	-	82,439
Decrease (Increase) in Deferred and Prepaid Expenses	(1,493,223)	-	-	(1,493,223)
Decrease (Increase) in Advance Deposits	-	(195,300)	-	(195,300)
Increase (Decrease) in Warrants Payable and Accounts Payable	(443,320)	-	-	(443,320)
Increase (Decrease) in Deposits, Advances, Accrued Expenses and Unearned Income	106,895	-	-	106,895
Increase (Decrease) in Deferred Revenue	160,616	-	-	160,616
Increase (Decrease) in Accrued Claims	-	154,941	-	154,941
Increase (Decrease) in Amounts Due to Other Funds	(152,570)	533,901	-	381,331
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(981,451)</b>	<b>346,038</b>	<b>-</b>	<b>(635,413)</b>
<b>Cash Flows from Investing Activities:</b>				
Transfers from Investments	1,118,942	-	-	1,118,942
Purchase of Investments	(310,880)	-	-	(310,880)
Additions to Fixed Assets	(3,533,751)	-	-	(3,533,751)
Contributed Capital	4,404,424	-	-	4,404,424
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>1,678,735</b>	<b>-</b>	<b>-</b>	<b>1,678,735</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from Notes and Bonds	2,204,717	-	-	2,204,717
Principal Payments on Notes and Bonds	(2,727,717)	-	-	(2,727,717)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(523,000)</b>	<b>-</b>	<b>-</b>	<b>(523,000)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>174,284</b>	<b>346,038</b>	<b>-</b>	<b>520,322</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>1,233,911</b>	<b>85,897</b>	<b>-</b>	<b>1,319,808</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,408,195</b>	<b>\$ 431,935</b>	<b>\$ -</b>	<b>\$ 1,840,130</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>				
Cash Paid During the Year for Interest	\$ 378,994	\$ -	\$ -	\$ 378,994

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town of Nantucket, Massachusetts is a municipality governed by an elected five member Board of Selectmen.

As required by generally accepted accounting principles, the accompanying financial statements present the Town of Nantucket and its component units, entities for which the government is considered to be financially accountable. There are two types of component units. Blended component units are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column of the combined financial statements to emphasize it is legally separated from the government. The Town does not have any discretely presented component units. Each blended component unit has a June 30 year end, of which the Town has two.

**Blended Component Units:**

The Nantucket Memorial Airport is a political subdivision of the Town and is governed by the Nantucket Memorial Airport Commission. Annually, the budget of the Airport is prepared and submitted to the Board of Selectmen. Original and supplemental appropriations are acted upon at Town meetings. Additional appropriations may be authorized by Town meetings during the year as the need arises.

The Wannacomet Water Company supplies the Town and its inhabitants with water and is governed by the Town of Nantucket Board of Water Commissioners. Annually, the budget of the water company is prepared and submitted to the Board of Selectmen. Original and supplemental appropriations are acted upon at Town meetings.

See Note 5 for information describing related organizations not included in the Town's reporting entity.

**B. Basis of Presentation**

The Town maintains its accounting records in accordance with practices prescribed by the Commonwealth of Massachusetts. The accounting requirements of this system differ in some respects from accounting practices prescribed by generally accepted accounting principles. Certain adjustments and reclassifications have been made to present the accompanying financial statements in accordance with generally accepted accounting principles except for one principal difference. This difference is described below.

**Fixed Assets** - The Town does not maintain, and therefore does not report, a general fixed assets account group in accordance with generally accepted accounting principles.

**C. Fund Accounting**

The accounts of the Town are presented on the basis considered to be a separate accounting entity. The operations of each fund are accounted for in a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, expenditures or expenses and other financing sources and uses. The following funds are used in accounting for the financial operations of the Town of Nantucket.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**Governmental Fund Types** - Governmental fund types are those through which most governmental functions are typically financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities - except activities accounted for in proprietary funds - are accounted for through governmental funds. The governmental funds maintained by the Town are as follows:

**General Fund** - The fund is used to reflect the financial transactions related to governmental activities which are not otherwise accounted for in another fund.

**Special Revenue Funds** - The funds are used to account for the proceeds of specific revenue sources, the uses of which are restricted to specific purposes.

**Capital Projects Funds** - The funds are used to account for resources obtained and used for the acquisition, construction, or improvement of capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and from federal and state grants.

**Proprietary Fund Types** - Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The proprietary funds maintained by the Town are as follows:

**Enterprise Funds** - Enterprise funds are used to account for operations (a) that are financed primarily through user charges, or (b) where the governing body has decided that determination of net income is appropriate.

**Internal Service Funds** - Internal service funds account for operations that provide services to other departments of the government on a cost-reimbursement basis. The Town accounts for its self-insured health insurance fund as an internal service fund.

**Fiduciary Fund Types** - Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The fiduciary fund maintained by the Town is as follows:

**Trust and Agency Funds** - These funds are used to account for money and property received from nonenterprise fund sources and held by the Town in the capacity of trustee, custodian, or agent for individuals, governmental entities, and nonpublic organizations. Trust funds include expendable trust funds and nonexpendable trust funds. Expendable trust funds are accounted for similar to governmental funds. Nonexpendable trust funds are accounted for similar to those often found in the private sector. Agency funds are custodial in nature and do not involve a measurement of results of operations.

**Account Group**

**General Long Term Debt** - Unmatured long term general obligation bonds payable, which are not expected to be paid during the succeeding year, are accounted for in the General Long Term Debt Group of Accounts.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting**

The modified accrual basis of accounting is followed by the governmental funds and expendable trust funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon thereafter to be used to pay current liabilities. Expenditures, other than interest on long term debt, are recorded when the liability is incurred, if measurable. In addition, expenditures made during the fifteen days following the close of each fiscal year which are related to the prior year are recorded as paid on June 30th. Expenditures for school encumbered salaries are recorded as a liability on June 30th. Certain appropriation balances are carried forward to permit liquidation of outstanding bills and purchase orders in the succeeding fiscal year.

The accrual basis of accounting is used by proprietary funds and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**E. Budgetary Data**

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects and borrowing authorizations, annual budgets are not prepared for any other fund; therefore comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the general fund budgetary data as reflected in the financial statements:

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen.  
The school department budget is prepared by the School Committee.

The budget is legally enacted by vote at the annual Town meeting.

Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

Throughout the year appropriations may be transferred between departments with Town meeting approval.

The Town's annual budget is adopted on a statutory basis that differs in some respects from generally accepted accounting principles (GAAP). The major differences are that real estate and personal property taxes are recognized as revenue when levied and that appropriations are classified as reserved for encumbrances and considered committed at the end of the fiscal year when a contract, invoice or purchase order is issued. Also, certain appropriations, known as special articles, do not lapse and are treated as reserved for continuing appropriations and treated as an expense in the year they are paid.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Data (Continued)**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is normally employed in government funds. Currently, the Town of Nantucket is not on the encumbrance method of accounting.

For financial statement presentation, appropriation balances that have contracts, invoices or other commitments have been carried forward and classified as Reserved for Encumbrances.

**F. Assets, Liabilities, and Fund Equity**

**1. Cash, Investments and Cash and Investments in Custody of Trustees**

Cash balances from all funds, except those required to be segregated by law, are combined to form a pool of cash. Cash balances are invested to the extent available and interest earnings are recognized in the General Fund. Certain special revenue funds, capital projects funds, enterprise funds and fiduciary funds cash are segregated and investment earnings become a part of those funds.

Valuation of investments for financial reporting purposes is at fair value. Fair value is defined by the amount at which an investment could be exchanged in a current transaction between willing parties.

Cash and investments in custody of trustees are funds that are under the control and custody of the trustees and were not in the custody of the Town.

**2. Receivables and Payables**

Receivables are recorded when billed and are shown as a gross amount.

Schedules of Accounts Receivable are presented in Schedules I through N.

Allowance for uncollectible accounts and deferred revenue arises as State statute requires a percentage of the amount levied to be set aside by assessors to grant abatements and is presented as allowance for uncollectible taxes. State Statute also requires the balance of the levy to be further reserved and is presented as deferred revenue on the balance sheet. All other accounts receivable and excise taxes are fully reserved and presented as deferred revenue. At year end, receipts are accrued on outstanding property taxes receivable for a period of sixty days which decreases the deferred revenue and increases the fund balance. Sixty day receipts after June 30, 2002 consist of real estate and personal property taxes in the amount of \$335,439.

Due from/to Other Funds arises during the course of the operations from the pooling of cash and as funds provide services to each other.

Warrants payable consists of goods and services that have been received or rendered and are to be paid in the following fiscal year.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Assets, Liabilities, and Fund Equity (Continued)**

**3. Inventories**

Inventories are priced at the lower of cost or market, with cost being determined on the first in-first-out basis. Expendable supplies and small tools are not inventoried but rather expenses when purchased.

**4. Fixed Assets**

Disbursements related to the acquisition of fixed assets are considered expenditures in the year payments are made. Currently the system of accounting for the governmental funds does not provide for capitalizing such expenditures of the acquiring funds. Accordingly, a statement of general fixed assets is not included in the accompanying financial statements.

Assets in the proprietary funds are capitalized and provision for depreciation recorded.

**5. Long-term Obligations**

The Town reports long-term debt of governmental funds at face value in the general long term debt account group.

For governmental fund types, bond proceeds are reported as an other financing source. Principal and interest payments on long-term obligations are considered expenditures in the year payments are made and are accounted for in the general fund.

Long term debt financed by proprietary funds are reported as liabilities in the appropriate funds.

**6. Fund Equity**

Reservations of fund balance accounts represent amounts that are legally segregated for a specific purpose.

**7. Memorandum Only - Total Columns**

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are prepared only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**G. Revenues, Expenditures, and Expenses**

**1. Revenues**

Generally, revenues of governmental fund types are recognized when measurable and available except for certain revenue sources which are not susceptible to accrual. Material revenues in the following category is considered susceptible to accrual because it is both measurable and available to finance expenditures of the current period:

Property taxes



**TOWN OF NANTUCKET, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Revenues, Expenditures, and Expenses (Continued)**

**1. Revenues (Continued)**

The following revenues are not considered susceptible to accrual because they are not both measurable and available to finance expenditures of the current period:

- Excise taxes
- Tax liens
- Departmental
- User charges
- Special assessments not yet due
- Licenses, permits and other general receipts

**2. Compensated Absences**

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. A determination of the amount of sick and vacation leave liability could not be determined therefore, the accrued liability could not be determined and the accrued liability is not reflected on the accounts of the Town.

**3. Grant, Entitlements and Shared Revenue**

Grant revenues are considered measurable and available and recorded simultaneously with the grant expenditure unless recognition is prohibited by the grant requirements.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Deficit Budgetary Fund Balance**

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2002, the Town incurred a budget deficit of \$1,013,334 for the General Fund as shown on Exhibit C.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Deficit Budgetary Fund Balance (Continued)**

The Town voted from the following amounts to fund the deficit budget during the fiscal year:

Unreserved Fund Balance:	
Town Meeting Votes:	
(Continuing Appropriations)	\$ 331,487
Other Deficit Raised	695,050
Reserved for Deficits	(13,203)
	<u>\$ 1,013,334</u>

**B. Deficit Fund Balances**

The following funds had deficits at June 30, 2002 as measured by the balances of unreserved fund balance.

**General Fund:**

**Reserved for Over (Under) Estimates** - Under Chapter 59 of the Massachusetts General Laws assessments for state charges are on an estimated basis which causes over and under estimates. The law requires over assessments to be used to reduce future assessments and under assessments to be raised in the next fiscal year's budget. This has resulted in an under estimate of \$26,498 as of June 30, 2002 which consists of the following:

<b>Underestimate:</b>	
RMV Non-Renewal Surcharge	\$ (26,640)
<b>Overestimate:</b>	
Special Education	142
	<u>\$ (26,498)</u>

**General Fund:**

**Reserved for Deficits** - resulted from expenditures of various appropriations in excess of the amount budgeted. The Commonwealth of Massachusetts does not allow this to occur except for some specific appropriations, and because of this, has required the Town to raise the amounts on the tax rate. By raising the amounts in the tax rate, the deficits will be eliminated.

**Enterprise Fund:**

**Reserved for Deficits:**

**Sewer Department** - resulted from capital outlay expenditures in excess of the amount borrowed for in the amount of \$1,585,620. Upon the borrowing of funds the deficit will be eliminated.

**Internal Service Fund:**

**Reserved for Deficits** – resulted from losses and claims in the self insurance fund over the past year. The Town has raised a portion of the deficit on next year's tax rate.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**3. BUDGET/GAAP REPORTING DIFFERENCES NOT OTHERWISE RECONCILED IN THE GENERAL PURPOSE FINANCIAL STATEMENTS**

The Town's general fund budget is prepared on a basis other than generally accepted accounting principles (GAAP). The "actual" results column of the Combined Statement of Revenues and Expenditures - Budgetary Basis - (Non-GAAP) - Budget and Actual - General Fund is presented on a "budget basis" to provide a meaningful comparison with the budgets. The major differences between the budget and GAAP bases are:

- Budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP); and
- Encumbrances of the current year are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

The following reconciliation summarizes the differences between the budget and GAAP basis of accounting principles for the year ended June 30, 2002.

	<u>Revenues</u>	<u>Expenditures</u>
As reported on a budget basis (Exhibit C)	\$ 45,227,454	\$ 42,806,421
Adjustments of property tax accruals and deferrals	328,240	
Adjustments for reserved for encumbrances-current year's budget		(469,968)
Adjustments for expenditures-prior year's encumbrances		153,090
As reported on a GAAP basis (Exhibit B)	<u>\$ 45,555,694</u>	<u>\$ 42,489,543</u>

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP**

**A. Deposits**

The Town maintains a cash and investment pool that is available for use by all funds. The portion of the pool allocated to each fund type is displayed on the combined balance sheet as "Cash and Cash Equivalents" and "Investments."

State and local statutes place certain limitations on the nature of deposits and investments to the Town. Generally the treasurer of the Town is authorized to invest in the following investments: national banks, savings banks or banking companies, or obligations issued or unconditionally guaranteed by the United States government or agency thereof and having a maturity from date of purchase of one year or less, with certain other limitations.

The carrying amount of the Town's deposits with financial institutions was \$13,679,522 and the bank balance was \$14,034,928. The bank balance is categorized as follows:

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**A. Deposits (Continued)**

Amount insured by the FDIC and DIF or collateralized with securities held by the Town in its name	\$ 5,503,067
Uncollateralized	8,531,861
	<u>\$ 14,034,928</u>

**B. Investments**

Investments made by the Town, including repurchase agreements, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the Town or its agent in the Town's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name.

	Category			Carrying	Market
	1	2	3	Amount	Value
U. S. Treasury obligations	\$ 423,548	\$ -	\$ -	\$ 423,548	\$ 423,548
U. S. government agencies	76,452	-	3,931,162	4,007,614	4,007,614
	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 3,931,162</u>		-
Money market instruments				83,630	83,630
Investment in Massachusetts Municipal Depository Trust				8,891,164	8,891,164
				<u>\$ 13,405,956</u>	<u>\$ 13,405,956</u>

**C. Cash and Investments in Custody of Trustees**

Cash and investments in custody of trustees consists of the following:

**Trust and Agency Fund:**

Boston Safe Deposit and Trust Company-	
Frederick C. Sanford Trust, (at cost)	<u>70,583</u>

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**D. Property Taxes Receivable**

Property taxes are based on assessments as of January 1, 2001, and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors makes the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town of Nantucket mailed preliminary tax bills for the fiscal year 2002 on July 1, 2001 that were due on August 1, 2001 and November 1, 2001 and actual tax bills on March 4, 2002 that were due on May 1, 2002.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2002 is as follows:

Levy Limit	\$ 30,535,770
Add: Debt Exclusion	4,103,354
	<u>\$ 34,639,124</u>

The total amount raised by taxation was \$34,582,652.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**E. Due From/To Other Funds**

The composition of due from/due to other funds as a result of the pooling of cash at June 30, 2002 were are follows:

<b>Fund</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund	\$ -	\$ 5,900,046
Special Revenue Fund	1,915,392	-
Capital Projects Fund	6,475,844	-
Enterprise Fund	-	29,071
Internal Service Fund	-	2,425,680
Trust and Agency Fund	-	36,439
	<u>\$ 8,391,236</u>	<u>\$ 8,391,236</u>

**F. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2002, is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
<b>General Fund</b>	<b>Special Revenue Funds</b>	\$ 88,057
<b>General Fund</b>	<b>Enterprise Funds:</b>	
	Siasconsett Water Department	\$ 1,484
	Sewer Department	92,747
	Wannacomet Water Company	469,071
	Nantucket Memorial Airport	57,846
<b>Enterprise Funds:</b>		
Solid Waste Department	<b>General Fund</b>	(88,320)
<b>General Fund</b>	<b>Trust and Agency Funds</b>	186,703
		<u>\$ 807,588</u>

**G. Inventories**

Inventories at June 30, 2002 consists of the following:

<b>Enterprise Funds:</b>	
<b><i>Wannacomet Water Department:</i></b>	
Stock materials and supplies	\$ 81,614
<b><i>Nantucket Memorial Airport:</i></b>	
Fuel	119,680
	<u>\$ 201,294</u>

**H. Advance Deposit**

Advance deposit consists of advances to Blue Cross Blue Shield of Massachusetts to cover medical claims made by Town employees. The advance deposit balance at June 30, 2002 is \$764,400.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**I. Due From Other Governments**

The composition of amounts due from other governments as of June 30, 2002, is as follows:

<b>General Fund:</b>			
Former Employee	\$	800	
<i>County of Nantucket</i>		75,000	
<i>Commonwealth of Massachusetts:</i>			
Massachusetts Highway Department:			
Bicycle Path		139,050	\$ 214,850
<b>Special Revenue Fund:</b>			
<i>U. S. Department of Agriculture -</i>			
School Lunch	\$	6,299	
<i>U. S. Department of Transportation -</i>			
Transportation Enhancement Grants		4,967	
3C Transportation Planning Grant		518,588	
<i>U. S. Department of Education -</i>			
School Title Grants		68,796	
<i>Commonwealth of Massachusetts:</i>			
Massachusetts Highway Department:			
Chapter 90 Funds		1,187,353	
Department of Education:			
School Grants		118,014	
School Lunch		772	1,904,789
<b>Enterprise Funds:</b>			
<i>Nantucket Memorial Airport:</i>			
<i>U. S. Department of Transportation - Federal</i>			
Aviation Administration	\$	1,072,589	
<i>Commonwealth of Massachusetts:</i>			
Massachusetts Water Pollution Abatement Trust:			
Siasconsett Wastewater Treatment Plant		2,000,000	
Surfside Wastewater Treatment Plant		300,000	
Aeronautics Commission		183,194	3,555,783
			<u>\$ 5,675,422</u>

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**J. Fixed Assets**

The following is a summary of proprietary fund type fixed assets of the Town at June 30, 2002:

Land	\$ 6,803,824
Land improvements	15,885,514
Water mains, sewers, hydrants and distribution equipment	11,941,498
Buildings	27,984,363
Vehicles	2,250,606
Equipment	920,441
Furniture, fixtures, and computer equipment	415,258
Less: accumulated depreciation	(14,367,920)
Construction in progress	733,279
Totals	<u><u>52,566,863</u></u>

**K. Warrants Payable**

The composition of warrants payable as of June 30, 2002, is as follows:

<b>General Fund:</b>		
General Warrants	\$ 548,908	
School Encumbered Payroll	<u>653,157</u>	\$ 1,202,065
<b>Special Revenue Fund:</b>		
School Lunch	\$ 7,243	
School Grants	15,465	
Other Grants	8,402	
Community Preservation	10,847	
Revolving Accounts	88,424	
Other Special Revenue	<u>86,406</u>	216,787
<b>Capital Projects Fund:</b>		
General Warrants		1,234
<b>Enterprise Funds:</b>		
<b><i>Siasconset Water Company:</i></b>		
General Warrant	\$ 9,099	
<b><i>Wannacomet Water Company:</i></b>		
General Warrant	35,364	
<b><i>Nantucket Memorial Airport:</i></b>		
General Warrant	844,928	
<b><i>Sewer Department:</i></b>		
General Warrant	64,385	
<b><i>Solid Waste Department:</i></b>		
General Warrant	<u>408,653</u>	1,362,429
<b>Trust and Agency Fund:</b>		
General Warrant		23,882
		<u><u>\$ 2,806,397</u></u>



**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**L. Deferred Revenue**

The composition of other deferred revenue as of June 30, 2002, is as follows:

**General Fund:**

Excise Taxes	\$ 811,577	
Tax Liens	2,035,110	
Departmental	111,787	
User Charges	76,320	
Special Assessments Not Yet Due	3,904	
Grants	139,050	
Tax Foreclosures	1,177	\$ 3,178,925

**Special Revenue Fund:**

Property Taxes	\$ 41,695	
Departmental	440,118	
Special Assessments Not Yet Due	25,171	
State Aid to Highway	1,187,353	
State and Federal Grants	523,555	2,217,892

**Enterprise Fund:**

User Charges	\$ 821,908	
Capital Grants	2,828,336	3,650,244
		<u>\$ 9,047,061</u>

The following two enterprise funds, because they have been audited by other auditors, do not recognize deferred revenue on the balance sheet. If deferred revenue had been recognized the actual unreserved retained earnings would be as follows:

	<b>Nantucket Memorial Airport</b>	<b>Wannacomet Water Department</b>
Unreserved retained earnings	\$ 5,080,916	\$ 5,712,606
Less: deferred revenue	(633,182)	(859,104)
	<u>\$ 4,447,734</u>	<u>\$ 4,853,502</u>

See Note 6B for additional segment information on the enterprise funds

**M. Due to Other Governments**

Due to other governments on June 30, 2002 in the general fund consists of the following:

**General Fund:**

<i>County of Nantucket</i>	\$ 79,683
<i>Commonwealth of Massachusetts</i>	
State aid that belongs to another community	33,485
	<u>\$ 113,168</u>

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**N. Long Term Debt**

**General Obligation Bonds**

The Town's long term debt outstanding on June 30, 2002 consists of general debt in the long term debt group of accounts in the amount of \$40,135,893 and enterprise debt in the amount of \$5,779,009.

A summary of the changes in general long term debt during the year is as follows:

	Interest Rate	Month/ Year Issued	Final Maturity Date	Original Amount Issued	Outstanding July 1, 2001	Additions	Reductions	Outstanding June 30, 2002
<b>Inside Debt:</b>								
General Obligation Bonds of 1997	Various	7/15/1997	7/15/2017	\$27,750,000	\$ 25,185,000	-	\$ 950,000	\$ 24,235,000
General Obligation Bonds of 2001	Various	5/15/2001	5/15/2018	\$ 330,000	330,000	-	20,000	310,000
<b>Outside Debt:</b>								
<b>Refinanced:</b>								
General Obligation Bonds	Various	12/1/1991	12/1/2011	\$44,385,000	2,490,000	-	1,295,000	1,195,000
General Obligation Bonds of 1997	Various	7/15/1997	7/15/2017	\$14,375,000	14,375,000	-	-	14,375,000
<b>Massachusetts Water Pollution Abatement Trust:</b>								
Title V Community Septic Management	Various	8/1/2001	8/1/2019	\$ 20,893	-	\$ 20,893		20,893
					<u>\$ 42,380,000</u>	<u>\$ 20,893</u>	<u>\$ 2,265,000</u>	<u>\$ 40,135,893</u>

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**N. Long Term Debt (Continued)**

**General Obligation Bonds (Continued)**

A summary of the changes in enterprise long tem debt during the year is as follows:

	Interest Rate	Month/ Year Issued	Final Maturity Date	Original Amount Issued	Outstanding July 1, 2001	Additions	Reductions	Outstanding June 30, 2002
<b>Inside Debt:</b>								
<b>Sewer Department:</b>								
<i>Massachusetts Water Pollution</i>								
<i>Abatement Trust:</i>								
Loan No. 94-10	Various	5/1/1995	2/1/2015	\$ 279,888	\$ 223,207	\$ -	\$ 11,048	\$ 212,159
Loan No. 98-143	Various	11/8/2000	8/1/2020	\$ 1,012,863	1,012,863	-	39,484	973,379
Loan No. 98-144	Various	11/8/2000	8/1/2020	\$ 224,577	224,577	-	8,488	216,089
Loan No. 98-145	Various	11/8/2000	8/1/2020	\$ 246,487	246,487	-	9,105	237,382
General Obligation Bonds of 2001	Various	5/15/2001	5/15/2021	\$ 850,000	850,000	-	40,000	810,000
<b>Outside Debt:</b>								
<b>Wannacomet Water Department:</b>								
General Obligation Bonds of 2001:								
Water Projects	Various	5/15/2001	5/15/2021	\$ 1,168,000	1,168,000	-	63,000	1,105,000
Water Meters	Various	5/15/2001	5/15/2021	\$ 1,500,000	1,500,000	-	150,000	1,350,000
<b>Nantucket Memorial Airport:</b>								
General Obligation Bonds of 2001	Various	5/15/2001	5/15/2021	\$ 975,000	975,000	-	100,000	875,000
					<u>\$ 6,200,134</u>	<u>\$ -</u>	<u>\$ 421,125</u>	<u>\$ 5,779,009</u>

The annual requirements to amortize the general outstanding bonds, including interest, as of June 30, 2002 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Year Ended</b>			
<b>June 30,</b>			
<b>2003</b>	\$ 2,421,147	\$ 2,072,964	\$ 4,494,111
<b>2004</b>	2,551,163	1,949,416	4,500,579
<b>2005</b>	2,676,163	1,816,491	4,492,654
<b>2006</b>	2,796,163	1,667,277	4,463,440
<b>2007</b>	2,946,163	1,504,205	4,450,368
<b>2008-2020</b>	26,745,094	6,712,579	33,457,673
	<u>\$ 40,135,893</u>	<u>\$ 15,722,932</u>	<u>\$ 55,858,825</u>

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**N. Long Term Debt (Continued)**

**General Obligation Bonds (Continued)**

The annual requirements to amortize the enterprise bonds, including interest, as of June 30, 2002 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ended June 30,			
<b>2003</b>	\$ 419,979	\$ 260,189	\$ 680,168
<b>2004</b>	421,928	242,929	664,857
<b>2005</b>	423,873	225,521	649,394
<b>2006</b>	425,814	208,012	633,826
<b>2007</b>	422,985	190,347	613,332
<b>2008-2021</b>	3,664,430	110,175	3,774,605
	<u>\$ 5,779,009</u>	<u>\$ 1,237,173</u>	<u>\$ 7,016,182</u>

**Advance Refunding**

During fiscal year 1998, the Town advance refunded a general obligation bond issue with a general obligation refundings. Of this issue, the Town issued \$14,920,835 of general obligation refunding bonds to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt and \$27,750,000 in new debt. As a result, the refunded bonds, including the enterprise bonds, are considered to be defeased and the liability has been removed from the general obligation long-term debt account group and the enterprise fund debt. This advance refunding was undertaken to advance refund \$13,650,000 of the Town's Series 1991 bonds and to obtain an economic gain of approximately \$650,000.

**Massachusetts Water Pollution Abatement Trust**

The Town has borrowed moneys from the Water Pollution Abatement Project Bond Resolution (Pool Loan Program). Under this program the borrower shall receive, as a credit against the loan repayment then due on this bond, the loan subsidy amounts (earnings on the equity of the trust).

The Town currently has five loans as follows:

- a gross obligation of \$465,608 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$91,335 resulting in a net loan repayment of \$374,273.
- a gross obligation of \$1,615,863 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$709,874 resulting in a net loan repayment of \$905,989
- a gross obligation of \$361,432 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$158,807 resulting in a net loan repayment of \$202,625.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**N. Long Term Debt (Continued)**

**Massachusetts Water Pollution Abatement Trust (Continued)**

-a gross obligation of \$395,576 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$173,769 resulting in a net loan repayment of \$221,807.

-a gross obligation of \$31,574 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$10,681 resulting in a net loan repayment of \$20,893.

The following is a summary of the activity of the Water Pollution Abatement Project Bond Resolution:

<b>No. 94-10</b>				<b>Less: Loan</b>	<b>Net</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Subsidy</b>	<b>Loan</b>
				<b>Amount</b>	<b>Repayments</b>
Initial Loan					
Obligation	\$ 279,888	\$ 185,720	\$ 465,608	\$ 91,335	\$ 374,273
Restructuring	-	(4,272)	(4,272)	-	(4,272)
Repayments:					
Fiscal Year 1996	(8,533)	(10,052)	(18,585)	(5,131)	(13,454)
Fiscal Year 1997	(8,790)	(14,738)	(23,528)	(7,461)	(16,067)
Fiscal Year 1998	(9,177)	(14,351)	(23,528)	(7,220)	(16,308)
Fiscal Year 1999	(9,599)	(13,929)	(23,528)	(6,967)	(16,561)
Fiscal Year 2000	(10,050)	(13,478)	(23,528)	(6,704)	(16,824)
Fiscal Year 2001	(10,532)	(12,995)	(23,527)	(6,427)	(17,100)
Fiscal Year 2002	(11,048)	(12,364)	(23,412)	(6,138)	(17,274)
	<u>\$ 212,159</u>	<u>\$ 89,541</u>	<u>\$ 301,700</u>	<u>\$ 45,287</u>	<u>\$ 256,413</u>

<b>No. 98-143</b>				<b>Less: Loan</b>	<b>Net</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Subsidy</b>	<b>Loan</b>
				<b>Amount</b>	<b>Repayments</b>
Initial Loan					
Obligation	\$ 1,012,863	\$ 603,000	\$ 1,615,863	\$ 709,874	\$ 905,989
Repayments:					
Fiscal Year 2001	-	(12,125)	(12,125)	(6,989)	(5,136)
Fiscal Year 2002	(39,484)	(51,654)	(91,138)	(46,780)	(44,358)
	<u>\$ 973,379</u>	<u>\$ 539,221</u>	<u>\$ 1,512,600</u>	<u>\$ 656,105</u>	<u>\$ 856,495</u>

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**N. Long Term Debt (Continued)**

**Massachusetts Water Pollution Abatement Trust (Continued)**

<b>No. 98-144</b>				<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
Initial Loan					
Obligation	\$ 224,577	\$ 136,855	\$ 361,432	\$ 158,807	\$ 202,625
Repayments:					
Fiscal Year 2001	-	(2,695)	(2,695)	(1,558)	(1,137)
Fiscal Year 2002	(8,488)	(11,486)	(19,974)	(10,376)	(9,598)
	<u>\$ 216,089</u>	<u>\$ 122,674</u>	<u>\$ 338,763</u>	<u>\$ 146,873</u>	<u>\$ 191,890</u>

<b>No. 98-145</b>				<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
Initial Loan					
Obligation	\$ 246,487	\$ 149,089	\$ 395,576	\$ 173,769	\$ 221,807
Repayments:					
Fiscal Year 2001	-	(2,959)	(2,959)	(1,690)	(1,269)
Fiscal Year 2002	(9,105)	(12,619)	(21,724)	(11,391)	(10,333)
	<u>\$ 237,382</u>	<u>\$ 133,511</u>	<u>\$ 370,893</u>	<u>\$ 160,688</u>	<u>\$ 210,205</u>

<b>No. 97-1148</b>				<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
Initial Loan					
Obligation	\$ 20,893	\$ 10,681	\$ 31,574	\$ 10,681	\$ 20,893
Repayments:					
Fiscal Year 2002	-	(535)	(535)	(535)	-
	<u>\$ 20,893</u>	<u>\$ 10,146</u>	<u>\$ 31,039</u>	<u>\$ 10,146</u>	<u>\$ 20,893</u>

A summary of the future obligations of the Water Pollution Abatement Project Bond are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>2003</b>	\$ 71,126	\$ 85,731	\$ 156,857
<b>2004</b>	73,091	82,422	155,513
<b>2005</b>	75,036	78,963	153,999
<b>2006</b>	76,977	75,403	152,380
<b>2007</b>	79,148	71,681	150,829
<b>2008-2021</b>	1,284,524	500,893	1,785,417
	<u>\$ 1,659,902</u>	<u>\$ 895,093</u>	<u>\$ 2,554,995</u>

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**N. Long Term Debt (Continued)**

**Legal Debt Limit**

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2002 totaled \$26,994,009.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2002:

Equalized Valuation-Real Estate and Personal Property (2000)		\$ 6,512,940,000
Debt Limit: 5 % of Equalized value		\$ 325,647,000
General Debt Outstanding	\$ 40,135,893	
Less: Debt Outside Debt Limit	15,590,893	\$ 24,545,000
Total Debt Outstanding	\$ 5,779,009	
Less: Debt Outside Debt Limit	3,330,000	2,449,009
Total Inside Debt		26,994,009
Inside Debt Excess Borrowing Capacity at June 30, 2002		\$ 298,652,991

**Loans Authorized and Unissued**

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as long term debt or refunding notes as of June 30, 2002 and are not reflected in the Town's financial statements are as follows:

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**N. Long Term Debt (Continued)**

**Loans Authorized and Unissued (Continued)**

<b>Date of Town Meeting</b>	<b><u>Purpose</u></b>	<b><u>Amount</u></b>
Unavailable	Sewer Treatment Plant	\$ 2,100,000
Unavailable	Airport	2,145,000
Unavailable	Marine Facility	30,000
4/18/1996	Develop a Second Public Water Supply within the Nantucket State Forest off Lover's Lane	1,400
4/14/1997	Various Airport Projects	445,000
4/14/1997	Improvements to Siasconsett Wastewater Treatment Facility	312,560
4/14/1997	Improvement to Water Distribution System at Various Locations	800,000
4/14/1997	Various Wannacomet Water Projects	285,000
4/14/1997	Engineering Costs Associated with the Modifications of Surfside Wastewater Treatment Facility	453,513
4/13/1998	Bicycle Path Projects	299,250
4/13/1998	Various Airport Projects	1,910,130
4/13/1998	Sewer Project	5,000,000
4/12/1999	Various Airport Projects	1,250,000
4/12/1999	Design, Construction and Related Costs for	
and 10/10/01	Improvements to the Town Sewer System	1,350,000
4/12/1999	Acquire a Parcel of Land for Airport Purpose	25,000
4/10/2000	Design, Permitting, Constructing and other Related costs for Improvements to Sewer Collection System to Implement Recommendations of Upcoming Sewer Mapping and Evaluation Study	500,000
4/10/2000	Visitor Services Restrooms	140,000
4/10/2000	Various Airport Projects	50,000
4/10/2001	Various Airport Projects	390,000
4/10/2001	Improvements to Main Street - Madaket Road Water Main	500,000
10/10/2001	Siasconset Wastewater Treatment Facility	2,905,437
4/8/2002	Various School Projects	2,345,000
4/8/2002	Construct Old South Road Bikepath and/or Fairgrounds Road Bikepath	600,000
4/8/2002	Madaket Bath House	250,000
4/8/2002	Construction of Fire Station Expansion	1,100,000
4/8/2002	Airport Terminal Design	1,000,000
4/10/2002	Various Airport Projects	3,655,000
4/10/2002	Hazardous Waste Material Building	100,000
4/10/2002	Siasconset Wastewater Treatment Facility	3,216,375
		<u><u>\$ 33,158,665</u></u>



**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**N. Long Term Debt (Continued)**

**Overlapping Debt**

The Town pays assessments which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The primary overlapping debt relates to Nantucket County and the Nantucket Regional Transit Authority of which the Town is a member. The following summary sets forth the long term debt of the governmental units, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	<u>Long Term Debt</u>	<u>Town's Estimated Share</u>	<u>Town's Estimated Indirect Debt</u>
Nantucket Regional Transit Authority	\$ 934,427	100.00%	\$ 934,427

The County does not have any debt outstanding at June 30, 2002.

**Refunding Trust Agreement - July 30, 1997**

The Town of Nantucket and State Street Bank and Trust, (the "trustee") have entered into a Refunding Trust Agreement (the "Agreement") dated July 30, 1997.

Concurrently with the execution of this agreement, the Town has issued municipal purpose loan of 1997 bonds dated July 15, 1997 in the aggregate principal amount of \$42,125,000, of which \$14,375,000 are being issued pursuant to Section 21A of Chapter 44 of the Massachusetts General Laws for the purpose of advance refunding the above notes. State Street Bank and Trust Company (the "trustee") has established a irrevocable trust fund designated the Town of Nantucket, Massachusetts Refunding Escrow Fund and moneys in the amount of \$14,920,835.49 have been set aside in the trust. The moneys in the refunding trust and any investments held as part of such fund shall be held in trust for the benefit of the owners of the refunded bonds and shall be applied by the Trustee solely to the payment of the redemption price of and interest of the refunded bonds. These moneys will be used to purchase government obligations.

The agreement states that if, on any date upon which an installment of interest on or principal or the redemption price of the refunded bonds falls due, the amount of escrow receipts then due and collected by the trustee on the government obligations on deposit in the refunding trust fund shall be insufficient to pay in full such installment on the refunded bonds, the trustee shall notify the Town immediately and the Town shall supply the amount of the deficiency by payment to the trustee for deposit into the refunding trust fund within three business days of notification.

At June 30, 2002, the trust has been liquidated as a result of debt being paid off in full.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**O. Temporary and Short Term Debt**

Under the General Laws of the Commonwealth of Massachusetts and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes. Outstanding short term notes on June 30, 2002 were as follows:

<u>Description</u>	<u>Maturity Debt</u>	<u>Interest Rate</u>	<u>Amount</u>
<b>Enterprise Funds:</b>			
<i>Nantucket Memorial Airport:</i>			
<i>Anticipation of Federal Grant</i>			
Airport Improvements	7/25/2002	3.50%	<u>\$ 2,204,717</u>

**P. Contributed Capital**

The changes in the government's contributed capital accounts for its proprietary funds were as follows:

	<u>Total</u>	<u>Nantucket Memorial Airport</u>	<u>Wannacomet Water Company</u>	<u>Sewer</u>	<u>Solid Waste</u>
Beginning Balance	35,402,564	\$ 9,671,284	\$ 1,814,002	\$ 23,754,767	\$ 162,511
Contributing Sources:					
Contributions	4,404,421	4,073,667	330,754	-	-
Less: Depreciation on assets placed in service funded by contributed capital	(897,470)	(853,612)	(43,858)	-	-
Rounding	2	-	2	-	-
Ending Balance	<u>\$ 38,909,517</u>	<u>\$ 12,891,339</u>	<u>\$ 2,100,900</u>	<u>\$ 23,754,767</u>	<u>\$ 162,511</u>

Currently the Commonwealth of Massachusetts accounting procedures do not recognize contributed capital. Therefore the sewer and solid waste department proprietary funds do not have any changes in contributed capital. The Nantucket Memorial Airport and Wannacomet Water Department were audited by other auditors and have reflected the changes in contributed capital on their respective financial statements.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**Q. Reserved Retained Earnings**

Reserved retained earnings is used to segregate a portion of retained earnings that has been voted at Town meetings for specific purposes and amounts voted at the annual Town meeting for fiscal year. It should be noted that the use of the term "reserve" in proprietary fund accounting should parallel commercial accounting and reporting and thus should be used on a limited basis.

The following is a composition of reserved retained earnings:

<b>Nantucket Memorial Airport:</b>	
Appropriations Carried Over	\$ 360,493
<b>Wannacomet Water Department:</b>	
Appropriations Carried Over	671,522
<b>Sewer Department:</b>	
Appropriations Carried Over	761,474
<b>Solid Waste Department:</b>	
Appropriations Carried Over	37,155
	<u>\$ 1,830,644</u>

**R. Reservations and Designations of Fund Balances**

Descriptions of the various reservations and designations of the Town's fund balance accounts are as follows:

**Reserved for Encumbrances** - consists of appropriation balances that have contracts, invoices or other commitments outstanding at the end of the fiscal year.

**Reserved for Nonexpendable Trust Principal** - represents that portion of the trust fund that may not be expended and must be kept intact.

**Designated for Subsequent Years' Expenditures** - The Town of Nantucket operates under the "Representative Town Meeting" concept where each voter elects a representative to vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2002 do not reflect the fiscal year Town Meeting action, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures as disclosed below. The Annual Town Meeting on April 8, 2002 authorized a fiscal year 2003 operating and capital budget as follows:

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**4. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**R. Reservations and Designations of Fund Balances (Continued)**

From the Tax Levy	\$ 42,793,146
Due From Siasconset Water Department Receipts	184,000
Due from Wannacomet Water Company Receipts	2,310,750
Due from Sewer Enterprise Receipts	1,090,215
Due from Solid Waste Enterprise Receipts	2,842,490
Due from Nantucket Memorial Airport Revenues	8,113,368
Due from Chapter 90 Highway Funds	50,000
Due from Community Preservation Funds	792,500
(Designated for Subsequent Years' Expenditures)	
<b>General Fund:</b>	
Continuing Appropriations	15,651
<b>Special Revenue Fund:</b>	
Ambulance	\$ 53,000
Sanford Gift Fund	4,000
	<u>57,000</u>
<b>Capital Projects Fund:</b>	
Various Projects	1,014,523
<b>Trust and Agency Fund:</b>	
Pension Reserve Fund	1,065,000
	<u><u>\$ 60,328,643</u></u>

**Designated for Continuing Appropriations** - is an account in which amounts have been designated and labeled by governmental executives to indicate tentative plans or commitments for those resources in a future period. This account consists of current and prior years unexpended appropriations and special articles carried forward that do not currently have contracts, invoices or other commitments applicable to them.

**S. Special Trust Funds - Stabilization Fund**

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting by a two-thirds vote for any lawful purpose. The stabilization fund is maintained as an expendable trust fund and has a balance of \$57,200 as of June 30, 2002.

**5. RELATED ORGANIZATIONS**

The following related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board and/or committee members. Audited financial statements are available from the respective organization. The related organizations are as follows:

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**5. RELATED ORGANIZATIONS (Continued)**

**Nantucket Housing Authority** - A public housing agency that provides housing assistance to eligible and qualified low and moderate income elderly, handicap and families. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

**Wood's Hole, Martha Vineyard and Nantucket Steamship Authority** - An independent authority that provides ferry service between the islands of Martha's Vineyard and Nantucket and the mainland of Massachusetts. The steamship authority is an autonomous and self-sufficient agency under the State. The Town has no significant influence over management, budget or policies of the authority.

**Nantucket Land Bank Commission** - A public body that was created by Chapter 669 of the Acts of 1993 of the Commonwealth of Massachusetts to acquire and manage open space and resource protection within Nantucket County. The Land Bank is administered by the Nantucket Islands Land Bank Commission comprised of five members. The commission is an autonomous and self-sufficient agency under the Commonwealth of Massachusetts general laws. The Land Bank is shown as a discretely presented component unit of the County of Nantucket, Massachusetts.

**6. OTHER INFORMATION**

**A. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Segment Information - Enterprise Funds**

The Town maintains five enterprise funds. The siasconset water, wannacommet water, sewer and solid waste funds account for the provision of basic utility services to the citizens of the Town. The Nantucket Memorial Airport is an airport facility. Selected segment information for the Town's enterprise funds for the year ending June 30, 2002 are as follows:

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**6. OTHER INFORMATION (Continued)**

**B. Segment Information - Enterprise Funds (Continued)**

	Siasconset Water Department	Sewer Department	Solid Waste Department	Wannacomet Water Department	Nantucket Memorial Airport	Total
Operating revenues	179,415	1,132,084	2,802,228	2,297,952	4,266,987	10,678,666
Operating expenses	146,409	886,464	4,787,917	1,876,280	4,555,051	12,252,121
Operating income (loss)	33,006	245,620	(1,985,689)	421,672	(288,064)	(1,573,455)
Non-Operating revenues						
(expenses)	2,688	(1,438,609)	20,118	(110,233)	(7,858)	(1,533,894)
Net income	49,233	(1,115,137)	272,451	311,439	(295,922)	(777,936)
Collections and user fees	179,415	1,132,084	2,802,228	2,099,514	-	6,213,241
Total assets	360,257	29,682,450	1,173,960	12,335,086	24,359,725	67,911,478
Total equity	311,828	90,321	773,342	5,752,438	6,073,099	13,001,028

**C. Contingent Liabilities**

**Litigation**

Various cases are pending against the Town at June 30, 2002. The amount of the claims cannot be estimated at the present time. As a result, the potential loss, if any on these claims has not been recorded on the financial statements.

**Federal Financial Assistance**

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

**The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority**

The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority, ("The Authority") was duly created by virtue of Chapter 701 of the Acts of 1960., as amended, (The "Act"). The Act provides for the acquisition, maintenance and operation of a boat service operating between the mainland and the islands of Nantucket and Martha's Vineyard.

Under the Act, the Authority is authorized to have a reserve fund to meet the costs of service, including interest on and amortization of bonds or notes of the Authority. If the reserve fund is insufficient to meet the above obligations, the Commonwealth of Massachusetts shall pay over to the

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**6. OTHER INFORMATION (Continued)**

**C. Contingent Liabilities (Continued)**

**The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (Continued)**

Authority the amount of such deficiency. The Act provides, that in the event that the Commonwealth shall be called upon to pay the Authority any amount on account of any such deficiency, such amount with interest or other charges incurred in borrowing the money for the purpose, shall be assessed on the towns of Falmouth and Nantucket and the County of Dukes County, in the following appropriations; 10 percent on the Town of Falmouth; 40 percent on the Town of Nantucket, Massachusetts; fifty percent on the County of Dukes County.

The Town of Nantucket is contingently liable for 40 percent of the amount of any deficit including operating and debt service cost, of the Authority. The last time any payment was required of the Town to subsidize operations the Authority was in 1962. The Authority presently estimates that in 2002 it will derive revenues from the operations of its steamship facility in excess of its cost of service, including debt service on bonds, during the year.

**D. Guarantees - Nantucket Islands Land Bank**

The Nantucket Islands Land Bank is a body politic and corporate and public instrumentality governed by provisions of Chapter 669 of the Massachusetts Acts of 1983, as amended. The Land Bank was created to acquire, hold and manage land on Nantucket in its natural, scenic and open condition. Its revenues for these purposes are derived primarily from a fee it is authorized to collect on all transfers of real estate occurring within the County of Nantucket, subject to certain exemptions. The Land Bank has incurred the following indebtedness that is secured by a pledge of the full faith and credit of the Town of Nantucket.

-1998 Series E refunding bonds dated July 15, 1998 bear interest rates ranging from 4.25 percent to 5.25 percent. The bonds mature serially from July 1, 2002 through July 1, 2019. The Series E bonds are secured by a second priority security interest in the Land Bank's present and future transfer fees and unrestricted revenue, payable after all required payments are made with respect to the Series D bonds. The balance of the bonds is \$12,197,789 at June 30, 2002.

**E. Landfill Closure and Postclosure Care**

Under Section 150A, Chapter 111 as amended, the Department of Environmental Protection Division of Solid Waste Management (the "Department") is required to classify all unlined municipal landfills which have expressed an intent to operate beyond 1993, according to the threat they pose to human health and the environment. In order to comply with Federal and State Requirements, these landfills must be closed by July 1, 1995 and capped by October 15, 2002. The Department has identified the Nantucket sanitary landfill as a "Potential Threat" landfill. As such the landfill must install an approved groundwater monitoring system.

The Town has proposed to construct a solid waste management facility to be located at the site of and adjacent to the existing unlined sanitary landfill. Once the solid waste management facility is operating the existing unlined landfill will be closed.

The estimated cost of closure is approximately \$5,000,000.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**6. OTHER INFORMATION (Continued)**

**F. Employee Retirement Systems and Plans**

**Plan Description**

The Town, as a member of the Barnstable County Retirement System, participates in a contributory retirement system that is partially funded by employee contributions. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Public school teachers are covered by the Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute.

The retirement system and the teachers' retirement system are contributory defined benefit plans covering all Town employees and teachers deemed eligible. The retirement system is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws. Participation is mandatory for all full-time employees whose employment commences prior to age 65. Eligibility with respect to part-time professional, temporaries or intermittal employment is governed by the local board.

Both systems provide for retirement allowance benefits. For an employee to be eligible for service retirement, the following conditions are to be met: (1) completion of 20 years of service; (2) for an employee hired prior to 1978, attainment of age 55 as an active member; (3) for an employee hired after 1978, attainment of age 55 as an active member and completion of 10 years of service. Benefit payments are based upon a member's age, length of credited service, level of compensation and group classification. The retirement allowance is determined as a product of the participant's benefit rate times the average salary during the three consecutive year period which produces the highest average times credited service.

A participant who has completed 10 or more years of credited service is eligible for a deferred vested retirement benefit. If termination is involuntary, the participant is vested after 6 years. The participant's accrued benefit is payable commencing at age 55 or may be deferred until later at the employee's option. The system also provide for accidental disability, ordinary disability, and survivor benefits.

Active members contribute either 5, 7, 8 or 9% of their gross regular compensation depending on the date upon which their membership began.

**Funding Status**

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess, on a going concern basis, the funding status of the retirement system to which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employees. The measure is independent of the actuarial funding method used to determine contributions to the retirement system.

The last actuarial valuation was prepared by the Segal Company as of January 1, 2002. The unfunded actuarial liability for the entire county is \$190,620,070. The Town's portion of such liability is approximately 9.5% or \$18,167,484.



**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**6. OTHER INFORMATION (Continued)**

**F. Employee Retirement Systems and Plans (Continued)**

**Contribution Requirements and Contribution Made**

The system's funding policy is governed by Section 22D (6A) of Chapter 32 and Chapter 697 of the Acts of 1987 of the Massachusetts General Laws. Under these sections the system is a "funding system" and has established a state-approved funding schedule to eliminate its unfunded liability. The members of the system are required to fund each year the actuarially determined normal cost plus an amount to amortize the unfunded liability. Amortization of the unfunded actuarial liability is to be based on a forty year schedule ending in 2028 for unfunded liabilities prior to removal of the salary cap and thirty year amortization of the additional unfunded liability for removal of the cap.

The Town's contribution to this plan for fiscal year 2002 was \$1,910,141.

In addition, the Town can provide supplemental funding under Section 5D of Chapter 40 of the Massachusetts General Laws. The total amount of the fund on June 30, 2002 is \$1,051,923 and is maintained as an expendable trust fund.

**Reporting Policies**

The funds of the retirement system are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued, and investments are amortized to value. The accounting records of the retirement system are maintained on a calendar basis in accordance with the standards and procedures outlined by the Commissioner of the Public Employee Retirement Administration.

**Trend Information**

Trend information showing the retirement system's progress in accumulating sufficient assets to pay benefits when due is required by generally accepted accounting principles to be included in the system's annual financial report. It is not known whether that report will contain the required historical trend information.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**COMBINING STATEMENT OF SPECIAL REVENUE FUND REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	Revenues	Expenditures	Other Financing Sources (Uses)	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	Fund Balances July 1, 2001	Fund Balances June 30, 2002
<b>Highways</b>	\$ 383,843	\$ 172,604	\$ -	\$ 211,239	\$ (526,848)	\$ (315,609)
<b>Federal Grants:</b>						
School Title Grants	233,242	227,175	-	6,067	28,934	35,001
Downtown Partnership Grant	-	-	-	-	6,933	6,933
Shellfish Grant	-	-	-	-	8,835	8,835
Highway Planning Grant	97,805	59,538	-	38,267	149,924	188,191
Clean Vessel Act	22,148	7,277	-	14,871	(12,275)	2,596
Traffic Enhancement Grants	-	-	-	-	6,305	6,305
Rural Community Fire Protection Program	-	-	-	-	2,000	2,000
Hazardous Materials Emergency Plan	-	-	-	-	488	488
Police Grants	10,584	13,933	-	(3,349)	142,392	139,043
Coastal Access	5,000	-	-	5,000	-	5,000
<b>State Grants:</b>						
School Grants	263,774	301,018	-	(37,244)	65,739	28,495
Arts Lottery	3,300	3,494	-	(194)	13,963	13,769
Council on Aging Grant	5,555	5,555	-	-	-	-
Underground Storage Tank Removal	-	-	-	-	31,046	31,046
Police Grants	34,563	33,073	-	1,490	48,357	49,847
Lakes and Ponds Grants	-	-	-	-	(9,253)	(9,253)
State Aid to Library	8,963	24,671	-	(15,708)	18,744	3,036
Comprehensive Plan Grant	-	-	-	-	3,149	3,149
Fire Safety Grant	3,158	1,498	-	1,660	1,843	3,503
Community Septic Management Program	-	2,180	-	(2,180)	15,437	13,257
Growth Plan Grant	-	-	-	-	(55,930)	(55,930)
<b>County Grants:</b>						
Mosquito Grant	-	-	-	-	2,511	2,511
Roads Grant	-	-	-	-	110,097	110,097
Police Construction	-	222,310	-	(222,310)	226,784	4,474
<b>Total Schedule A-1</b>	<b>\$ 1,071,935</b>	<b>\$ 1,074,326</b>	<b>\$ -</b>	<b>\$ (2,391)</b>	<b>\$ 279,175</b>	<b>\$ 276,784</b>

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**COMBINING STATEMENT OF SPECIAL REVENUE FUND REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	Revenues	Expenditures	Other Financing Sources (Uses)	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	Fund Balances July 1, 2001	Fund Balances June 30, 2002
<b>Schools:</b>						
School Lunch Program	\$ 627,673	\$ 625,247	-	\$ 2,426	\$ 93,972	\$ 96,398
School Lunch Commodities	22,312	22,312	-	-	-	-
Private Foundation Grants	84,497	69,638	-	14,859	12,453	27,312
Community Use of School	632,799	977,686	\$ 350,042	5,155	(3,228)	1,927
Revolving Accounts	85,423	40,487	-	44,936	125,540	170,476
<b>Other:</b>						
Barnstable County Human Services Contract	-	-	-	-	-	-
Community Preservation Fund	721,216	31,334	-	689,882	-	689,882
Title V Loan Repayment	5,500	-	-	5,500	-	5,500
Waterways Improvement	2,700	20,907	-	(18,207)	28,036	9,829
Ambulance	154,069	210	(30,000)	123,859	77,040	200,899
Insurance Recovery	-	-	-	-	32,846	32,846
Wetlands Act	-	-	-	-	13,982	13,982
Law Enforcement Fund	-	-	-	-	25,946	25,946
Low Beach Housing	31,270	36,151	-	(4,881)	6,049	1,168
Room Occupancy	-	-	-	-	112,586	112,586
FEMA Recovery	-	-	-	-	29,793	29,793
Shellfish Propagation	86,350	87,236	-	(886)	83,339	82,453
Siasconset Bluff Erosion	-	-	-	-	5,960	5,960
Siasconset Beach Preservation Fund	-	-	-	-	16	16
Siasconset Beach Preservation Escrow	-	-	-	-	55,207	55,207
Siasconset Beach Preservation Consultant	-	-	-	-	5,253	5,253
Juvenile Services	-	-	-	-	250	250
Beach Improvement Program	137,655	200,190	-	(62,535)	124,574	62,039
Conservation Commission Revolving	66,540	74,675	-	(8,135)	-	(8,135)
Park and Recreation Revolving	14,630	17,466	-	(2,836)	2,864	28
Tennis Court Revolving	38,015	17,077	-	20,938	140,286	161,224
Maintenance of Non-Public Roads Revolving	-	-	-	-	81,803	81,803
Fire Special Duty	7,517	3,774	-	3,743	-	3,743
Police Special Duty	262,948	344,072	-	(81,124)	(80,234)	(161,358)
Gifts	72,279	61,023	(4,000)	7,256	126,348	133,604
<b>Total Schedule A-2</b>	<b>3,053,393</b>	<b>2,629,485</b>	<b>316,042</b>	<b>739,950</b>	<b>1,100,681</b>	<b>1,840,631</b>
<b>Total Schedule A-1</b>	<b>1,071,935</b>	<b>1,074,326</b>	<b>-</b>	<b>(2,391)</b>	<b>279,175</b>	<b>276,784</b>
	<b>\$ 4,125,328</b>	<b>\$ 3,703,811</b>	<b>\$ 316,042</b>	<b>\$ 737,559</b>	<b>\$ 1,379,856</b>	<b>\$ 2,117,415</b>

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**COMBINING STATEMENT OF CAPITAL PROJECTS FUND REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2002**

				<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>		
	<b>Revenues</b>	<b>Expenditures</b>	<b>Other Financing Sources (Uses)</b>	<b>and Other Financing Uses</b>	<b>Fund Balances July 1, 2001</b>	<b>Fund Balances June 30, 2002</b>
Sewer Treatment Facility	\$ 3,354	-	-	\$ 3,354	\$ 3,222,869	\$ 3,226,223
Road Funds	-	-	-	-	1,157	1,157
Solid Waste Facility	5,786	-	-	5,786	201,384	207,170
Sewer Extension	-	-	-	-	27,196	27,196
Various Departmental Projects	-	\$ 713,861	\$ 504,937	(208,924)	4,431,848	4,222,924
	<u>\$ 9,140</u>	<u>\$ 713,861</u>	<u>\$ 504,937</u>	<u>\$ (199,784)</u>	<u>\$ 7,884,454</u>	<u>\$ 7,684,670</u>

**TOWN OF NANTUCKET, MASSACHUSETTS  
COMBINING BALANCE SHEET  
ENTERPRISE FUNDS  
JUNE 30, 2002**

	<b>Siasconset Water Department</b>	<b>Sewer Department</b>	<b>Solid Waste Department</b>	<b>Wannacomet Water Company</b>	<b>Nantucket Memorial Airport</b>	<b>Totals (Memorandum Only)</b>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 357,795	\$ 122,740	\$ 408,337	\$ 43,856	\$ 475,467	\$ 1,408,195
Investments	-	-	29,159	1,670,211	3,824,294	5,523,664
Accounts Receivable:						
Departmental	-	-	-	-	859,104	859,104
User Charges	2,462	229,048	590,398	633,182	-	1,455,090
Less: Allowance for Uncollectible Account:	-	-	-	(10,000)	(102,000)	(112,000)
Inventories	-	-	-	81,614	119,680	201,294
Due from Other Governments	-	2,300,000	-	-	1,255,783	3,555,783
Deferred Charges and Prepaid Expenses	-	-	-	-	4,476	4,476
Fixed Assets, (net, where applicable, of accumulated depreciation)	-	24,581,653	146,066	9,916,223	17,922,921	52,566,863
Amount to be Provided for Payment of Notes/Debt	-	2,449,009	-	-	-	2,449,009
<b>Total Assets</b>	<b>\$ 360,257</b>	<b>\$ 29,682,450</b>	<b>\$ 1,173,960</b>	<b>\$ 12,335,086</b>	<b>\$ 24,359,725</b>	<b>\$ 67,911,478</b>
<b>Liabilities and Fund Equity</b>						
<b>Liabilities:</b>						
Warrants Payable	\$ 9,099	\$ 64,385	\$ 408,653	\$ 35,364	\$ 844,928	\$ 1,362,429
Accounts Payable	-	-	-	146,679	272,682	419,361
Retainage Payable and Accrued Expenses	-	-	-	122,564	117,271	239,835
Refundable Deposits	-	-	-	-	152,035	152,035
Due to Other Funds	35,384	702,173	(672,624)	3,070	(38,932)	29,071
Interfund Payables	1,484	92,747	(88,320)	469,071	57,846	532,828
Unearned Revenue	-	-	-	-	98,304	98,304
Deferred Revenue:						
Other	2,462	2,529,048	590,398	-	528,336	3,650,244
Advances	-	-	-	-	13,100	13,100
Liabilities to be Repaid from Enterprise Funds - Bonds Payable	-	-	-	1,250,000	270,000	1,520,000
Notes Payable	-	-	-	-	2,204,717	2,204,717
General Obligation Bonds Payable	-	2,449,009	-	2,455,000	875,000	5,779,009
<b>Total Liabilities</b>	<b>48,429</b>	<b>5,837,362</b>	<b>238,107</b>	<b>4,481,748</b>	<b>5,395,287</b>	<b>16,000,933</b>
<b>Fund Equity:</b>						
Contributed Capital	-	23,754,767	162,511	2,100,900	12,891,339	38,909,517
Retained Earnings:						
Reserved Retained Earnings	-	761,474	37,155	671,522	360,493	1,830,644
Reserved for Deficits	-	(1,585,620)	-	-	-	(1,585,620)
Unreserved Retained Earnings	311,828	914,467	736,187	5,080,916	5,712,606	12,756,004
<b>Total Fund Equity</b>	<b>311,828</b>	<b>23,845,088</b>	<b>935,853</b>	<b>7,853,338</b>	<b>18,964,438</b>	<b>51,910,545</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 360,257</b>	<b>\$ 29,682,450</b>	<b>\$ 1,173,960</b>	<b>\$ 12,335,086</b>	<b>\$ 24,359,725</b>	<b>\$ 67,911,478</b>

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**COMBINING STATEMENT OF ENTERPRISE FUND REVENUES,**  
**EXPENSES AND CHANGES IN RETAINED EARNINGS**  
**FOR THE YEAR JUNE 30, 2002**

	<b>Siasconset Water Department</b>	<b>Sewer Department</b>	<b>Solid Waste Department</b>	<b>Wannacomet Water Company</b>	<b>Nantucket Memorial Airport</b>	<b>Totals (Memorandum Only)</b>
<b>Operating Revenues:</b>						
Collections and User Fees	\$ 179,415	\$ 1,132,084	\$ 2,802,228	\$ 2,099,514	-	\$ 6,213,241
Sales of Fuel and Additives (net of discounts)	-	-	-	-	\$ 3,450,033	3,450,033
Less: Cost of Goods Sold	-	-	-	-	(2,147,160)	(2,147,160)
Charges for Fees and Services	-	-	-	12,671	2,543,644	2,556,315
Other Revenue	-	-	-	185,767	420,470	606,237
<b>Total Net Operating Revenues</b>	<b>179,415</b>	<b>1,132,084</b>	<b>2,802,228</b>	<b>2,297,952</b>	<b>4,266,987</b>	<b>10,678,666</b>
<b>Operating Expenses:</b>						
Operating Costs	146,409	886,464	4,787,917	1,381,293	3,530,832	10,732,915
Depreciation Expense	-	-	-	494,987	1,024,219	1,519,206
<b>Total Operating Expenses</b>	<b>146,409</b>	<b>886,464</b>	<b>4,787,917</b>	<b>1,876,280</b>	<b>4,555,051</b>	<b>12,252,121</b>
<b>Operating Income (Loss)</b>	<b>33,006</b>	<b>245,620</b>	<b>(1,985,689)</b>	<b>421,672</b>	<b>(288,064)</b>	<b>(1,573,455)</b>
<b>Non-Operating Revenues (Expenses):</b>						
Interest Income	2,688	342	20,118	111,641	109,108	243,897
State Subsidies for Debt Payments	-	74,684	-	-	-	74,684
Capital Outlay	-	(1,279,626)	-	-	-	(1,279,626)
Payment of Debt	-	(108,125)	-	-	-	(108,125)
Interest Expense	-	(125,884)	-	(205,484)	(116,966)	(448,334)
Loss on Retirement of Meters	-	-	-	(16,390)	-	(16,390)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>2,688</b>	<b>(1,438,609)</b>	<b>20,118</b>	<b>(110,233)</b>	<b>(7,858)</b>	<b>(1,533,894)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>35,694</b>	<b>(1,192,989)</b>	<b>(1,965,571)</b>	<b>311,439</b>	<b>(295,922)</b>	<b>(3,107,349)</b>
<b>Operating Transfers In (Out)</b>	<b>13,539</b>	<b>77,852</b>	<b>2,238,022</b>	<b>-</b>	<b>-</b>	<b>2,329,413</b>
<b>Net Income (Loss)</b>	<b>49,233</b>	<b>(1,115,137)</b>	<b>272,451</b>	<b>311,439</b>	<b>(295,922)</b>	<b>(777,936)</b>
Add depreciation on fixed assets acquired by capital grants/contributed capital	-	-	-	43,858	853,612	897,470
<b>Net Increase (Decrease) in Retained Earnings</b>	<b>49,233</b>	<b>(1,115,137)</b>	<b>272,451</b>	<b>355,297</b>	<b>557,690</b>	<b>119,534</b>
<b>Retained Earnings, July 1, 2001</b>	<b>262,595</b>	<b>1,205,458</b>	<b>500,891</b>	<b>5,397,141</b>	<b>5,515,409</b>	<b>12,881,494</b>
<b>Retained Earnings, June 30, 2002</b>	<b>\$ 311,828</b>	<b>\$ 90,321</b>	<b>\$ 773,342</b>	<b>\$ 5,752,438</b>	<b>\$ 6,073,099</b>	<b>\$ 13,001,028</b>

**Schedule D**  
**TOWN OF NANTUCKET, MASSACHUSETTS**  
**COMBINING STATEMENT OF INTERNAL SERVICE FUND REVENUES,**  
**EXPENSES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Health Insurance Fund</b>
<b>Operating Revenues:</b>	
Contributions from Employers and Employees	\$ 5,368,353
<b>Total Operating Revenues</b>	<u>5,368,353</u>
<b>Operating Expenses:</b>	
Claims Paid	6,031,141
<b>Total Operating Expenses</b>	<u>6,031,141</u>
<b>Operating Income (Loss)</b>	<u>(662,788)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest Income	8,784
<b>Total Non-Operating Revenues (Expenses)</b>	<u>8,784</u>
<b>Income (Loss) Before Operating Transfers</b>	(654,004)
<b>Operating Transfers In (Out)</b>	<u>506,500</u>
<b>Net Income (Loss)</b>	(147,504)
<b>Fund Balance - July 1, 2001</b>	<u>(1,817,661)</u>
<b>Fund Balance - June 30, 2002</b>	<u>\$ (1,965,165)</u>

## Schedule E-1

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**COMBINING STATEMENT OF TRUST FUND REVENUES, EXPENSES**  
**AND CHANGES IN FUND BALANCES - NONEXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Operating Revenues</b>	<b>Net Income (Loss)</b>	<b>Fund Balances July 1, 2001</b>	<b>Fund Balances June 30, 2002</b>
Cemetery Funds:				
Perpetual Care Fund	\$ -	\$ -	\$ 61,163	\$ 61,163
Caroline F. Austin Fund	-	-	859	859
Friends Burial Ground Fund	-	-	1,658	1,658
School Funds:				
McGlathlin School Fund	-	-	616,296	616,296
Blackburn School Fund	-	-	10,000	10,000
J. Fisher School Fund	-	-	10,000	10,000
Maribeth C. Ingram Snow Scholarship Fund	-	-	5,000	5,000
William Byron Holland Snow Fund	-	-	10,000	10,000
Lucy A. Fisher Scholarship Fund	-	-	3,000	3,000
Nantucket High School Scholarship Fund -				
Katherine Gardner Fund	-	-	52,831	52,831
Harry Gordon Scholarship Fund	-	-	172,958	172,958
Miriam Congdon Altschul Scholarship Fund	-	-	103,700	103,700
Sanford Fund	-	-	70,583	70,583
Our Island Home:				
Kuczkowski Fund	-	-	102,741	102,741
Pauline Smith Freeman Fund	-	-	127,394	127,394
Albert Lewis Fund	-	-	13,837	13,837
Mary W. Babcock Memorial Fund	-	-	500	500
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,362,520</u>	<u>\$ 1,362,520</u>



**TOWN OF NANTUCKET, MASSACHUSETTS**  
**COMBINING STATEMENT OF TRUST FUND REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

							Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		Fund Balances July 1, 2001	Fund Balances June 30, 2002
	Additions	Revenues	Expenditures	Other Financing Sources (Uses)						
Stabilization Fund	-	\$ 16,408	-	\$ (758,410)	\$	(742,002)	\$	799,202	\$	57,200
Cemetery Funds:										
Perpetual Care Fund	-	11,623	\$ 40,480	-		(28,857)		153,799		124,942
Cemetery Lots	\$ 900	681	-	-		1,581		13,841		15,422
Friends Burial Ground Fund	-	368	-	-		368		4,942		5,310
Caroline F. Austin Fund	-	195	-	-		195		2,637		2,832
School Funds:										
McGlathlin School Fund	752	38,074	35,360	-		3,466		39,448		42,914
Blackburn School Fund	-	574	550	-		24		(311)		(287)
J. Fisher School Fund	-	697	650	-		47		(649)		(602)
General Scholarship Fund	10,504	386	14,000	-		(3,110)		6,836		3,726
Maribeth C. Ingram Snow Scholarship Fund	-	287	275	-		12		(155)		(143)
William Byron Holland Snow Fund	-	872	825	-		47		6,223		6,270
Lucy A. Fisher Scholarship Fund	-	237	230	-		7		404		411
Robert E. Diamond Schlarship Fund	1,000	(88)	1,000	-		(88)		8,656		8,568
Nantucket High School Scholarship Fund - Katherine Gardner Fund	-	3,033	3,000	-		33		4,232		4,265
Harry Gordon Scholarship Fund	-	67,047	58,600	-		8,447		1,074,303		1,082,750
Miriam Congdon Altschul Scholarship Fund	-	6,941	5,460	-		1,481		14,754		16,235
Walter Spencer Barrett Scholarship Fund	-	4,599	10,000	-		(5,401)		97,129		91,728
Alison Linnel Scholarship Fund	-	-	1,000	-		(1,000)		1,000		-
Mary W. Babcock Memorial Fund	-	96	-	-		96		1,221		1,317
Thomas and Margaret Curley Fund	21,000	503	-	-		21,503		-		21,503
Siasconset Acquiifer Land Taking	-	-	-	-		-		33,997		33,997
Our Island Home:										
Kuczkowski Fund	-	12,853	14,490	-		(1,637)		126,558		124,921
Pauline Smith Freeman Fund	-	10,527	-	-		10,527		61,669		72,196
Albert Lewis Fund	-	969	-	-		969		3,568		4,537
Old Historic District Landscape Fund	-	1,543	-	-		1,543		27,707		29,250
Conservation Fund	-	497	-	-		497		8,930		9,427
Pension Fund	-	55,480	-	-		55,480		996,443		1,051,923
Workmen's Compensation Fund	14,783	9,259	123,699	-		(99,657)		427,646		327,989
Elder Services Van Fund	-	445	2,330	-		(1,885)		16,724		14,839
	48,939	244,106	311,949	(758,410)		(777,314)		3,930,754		3,153,440
<b>Unrealized Gain/(Loss) on Investments</b>	-	130,774	-	-		130,774		149,074		279,848
	\$ 48,939	\$ 374,880	\$ 311,949	\$ (758,410)	\$	(646,540)	\$	4,079,828	\$	3,433,288

**TOWN OF NANTUCKET, MASSACHUSETTS  
GENERAL DEBT  
SCHEDULE OF CHANGES IN BOND INDEBTEDNESS  
FOR THE YEAR ENDED JUNE 30, 2002**

Description	Interest Rate	Month/ Year Issued	Final Maturity Date	Original Amount Issued	Balance July 1, 2001	Issued During Year	Paid During Year	Balance June 30, 2002
<b>Inside Debt Limit:</b>								
General Obligation Bonds of 1997	Various	7/15/1997	7/15/2017	\$ 27,750,000	\$ 25,185,000	-	\$ 950,000	\$ 24,235,000
General Obligation Bonds of 2001	Various	5/15/2001	5/15/2018	\$330,000	330,000	-	20,000	310,000
<b>Outside Debt Limit:</b>								
General Obligation Bonds (1)	Various	12/1/1991	12/1/2011	\$ 44,385,000	2,490,000	-	1,295,000	1,195,000
General Obligation Bonds of 1997	Various	7/15/1997	7/15/2017	\$ 14,375,000	14,375,000	-	-	14,375,000
<b>Massachusetts Water Pollution Abatement Trust (2):</b>								
Title V Community Septic Management Program	Various	8/1/2001	8/1/2019	\$ 20,893	-	\$ 20,893		20,893
					<u>\$ 42,380,000</u>	<u>\$ 20,893</u>	<u>\$ 2,265,000</u>	<u>\$ 40,135,893</u>

<b>Amortization Schedule</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$ 2,421,147	\$ 2,072,964	\$ 4,494,111
2004	2,551,163	1,949,416	4,500,579
2005	2,676,163	1,816,491	4,492,654
2006	2,796,163	1,667,277	4,463,440
2007	2,946,163	1,504,205	4,450,368
2008-2020	26,745,094	6,712,579	33,457,673
	<u>\$ 40,135,893</u>	<u>\$ 15,722,932</u>	<u>\$ 55,858,825</u>

- (1) Refinanced subject to terms of Refunding Trust Agreement.
- (2) Subject to agreement with Massachusetts Water Pollution Abatement Trust a portion of the annual principal and interest payments is provided for by a State subsidy and equity earnings from the loan pool program.

**TOWN OF NANTUCKET, MASSACHUSETTS  
ENTERPRISE FUND DEBT  
SCHEDULE OF CHANGES IN BOND INDEBTEDNESS  
FOR THE YEAR ENDED JUNE 30, 2002**

Description	Interest Rate	Month/ Year Issued	Final Maturity Date	Original Amount Issued	Balance July 1, 2001	Issued During Year	Paid During Year	Balance June 30, 2002
<b>Inside Debt Limit:</b>								
<b>Sewer Department:</b>								
<i>Massachusetts Water Pollution Abatement Trust (1):</i>								
Water Pollution Abatement Bonds:								
Loan No. 94-10	Various	5/1/1995	2/1/2015	\$ 279,888	\$ 223,207	\$ -	\$ 11,048	\$ 212,159
Loan No. 98-143	Various	11/8/2000	8/1/2020	\$ 1,012,863	1,012,863	-	39,484	973,379
Loan No. 94-144	Various	11/8/2000	8/1/2020	\$ 224,577	224,577	-	8,488	216,089
Loan No. 94-145	Various	11/8/2000	8/1/2020	\$ 246,487	246,487	-	9,105	237,382
General Obligation Bonds of 2001	Various	5/15/2001	5/15/2021	\$ 850,000	850,000	-	40,000	810,000
<b>Outside Debt Limit:</b>								
<b>Wannacomet Water Department:</b>								
General Obligation Bonds of 2001:								
Water Projects	Various	5/15/2001	5/15/2021	\$ 1,168,000	1,168,000	-	63,000	1,105,000
Water Meters	Various	5/15/2001	5/15/2021	\$ 1,500,000	1,500,000	-	150,000	1,350,000
<b>Nantucket Memorial Airport:</b>								
General Obligation Bonds of 2001	Various	5/15/2001	5/15/2021	\$ 975,000	975,000	-	100,000	875,000
					<u>\$ 6,200,134</u>	<u>\$ -</u>	<u>\$ 421,125</u>	<u>\$ 5,779,009</u>

<b>Amortization Schedule</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$ 419,979	\$ 260,189	\$ 680,168
2004	421,928	242,929	664,857
2005	423,873	225,521	649,394
2006	425,814	208,012	633,826
2007	422,985	190,347	613,332
2008-2021	3,664,430	110,175	3,774,605
	<u>\$ 5,779,009</u>	<u>\$ 1,237,173</u>	<u>\$ 7,016,182</u>

(1) Subject to agreement with Massachusetts Water Pollution Abatement Trust a portion of the annual principal and interest payments is provided for by a State subsidy and equity earnings from the loan pool program.

**Schedule G**

**TOWN OF NANTUCKET, MASSACHUSETTS  
SCHEDULE OF TREASURER'S CASH  
JUNE 30, 2002**

**Composition of Cash Balances:**

Interest Bearing Accounts:	
Citizens Bank	\$ 806,724
Fleet Bank	6,712,528
Nantucket Bank	5,057,984
State Street Bank and Trust Company	166,768
Payments in Advance of Warrant	970,534
Petty Cash	350
	<hr/>
	13,714,888
Cash Variance	(35,366)
	<hr/>
	<u>\$ 13,679,522</u>

**Presentation of Cash on Balance Sheet:**

General Fund	\$ 9,443,441
Special Revenue Fund	343,209
Capital Projects Fund	1,470,944
Enterprise Fund	1,408,195
Internal Service Fund	431,935
Trust and Agency Fund	581,798
	<hr/>
	<u>\$ 13,679,522</u>

## Schedule H

**TOWN OF NANTUCKET, MASSACHUSETTS  
SCHEDULE OF INVESTMENTS  
JUNE 30, 2002**

	<b>Cost Value</b>	<b>Market Value</b>
<b>Composition of Investments Balances:</b>		
Massachusetts Municipal Depository Trust	\$ 8,891,164	\$ 8,891,164
Fleet Bank Pooled Investment Account	4,373,464	4,504,238
Paine Webber Investment Account	10,554	10,554
	<u>\$ 13,275,182</u>	<u>\$ 13,405,956</u>

**Presentation of Investments on Balance Sheet:**

General Fund	\$ 3,367,500
Enterprise Fund	5,523,664
Trust and Agency Fund	4,514,792
	<u>\$ 13,405,956</u>

**TOWN OF NANTUCKET, MASSACHUSETTS  
GENERAL FUND AND SPECIAL REVENUE FUND  
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES  
JULY 1, 2001 TO JUNE 30, 2002**

	Uncollected Taxes July 1, 2001	Commitments	Abatements and Adjustments	Adjusted Taxes Collectible	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2002
<b>General Fund:</b>						
<b>Real Estate Taxes:</b>						
Levy of 2002	-	\$ 33,674,921	\$ 260,801	\$ 33,414,120	\$ 32,395,521	\$ 1,018,599
Levy of 2001	\$ 1,622,615	-	256,655	1,365,960	889,963	475,997
Levy of 2000	372,509	-	165,929	206,580	202,182	4,398
Levy of 1999	242,469	-	233,286	9,183	(6,891)	16,074
Levy of 1998	188,705	-	172,558	16,147	7,840	8,307
Levy of 1997	259,202	-	258,504	698	-	698
Levy of 1996	10,450	-	-	10,450	-	10,450
Levy of 1995	23,837	-	-	23,837	-	23,837
Levy of 1993	37,361	-	-	37,361	-	37,361
Prior Years	71,913	-	-	71,913	-	71,913
	<u>2,829,061</u>	<u>33,674,921</u>	<u>1,347,733</u>	<u>35,156,249</u>	<u>33,488,615</u>	<u>1,667,634</u>
<b>Personal Property Taxes:</b>						
Levy of 2002	-	929,164	10,655	918,509	870,039	48,470
Levy of 2001	50,590	-	14,693	35,897	6,609	29,288
Levy of 2000	36,061	-	342	35,719	12,688	23,031
Levy of 1999	20,164	-	-	20,164	2,036	18,128
Levy of 1998	15,990	-	-	15,990	1,169	14,821
Levy of 1997	40,508	-	-	40,508	1,248	39,260
Levy of 1996	34,359	-	-	34,359	1,756	32,603
Levy of 1995	31,269	-	-	31,269	1,092	30,177
Levy of 1994	22,444	-	-	22,444	1,047	21,397
Levy of 1993	20,922	-	-	20,922	1,307	19,615
Prior Years	36,533	-	-	36,533	1,217	35,316
	<u>308,840</u>	<u>929,164</u>	<u>25,690</u>	<u>1,212,314</u>	<u>900,208</u>	<u>312,106</u>
<b>Total Real Estate and Personal Property Taxes</b>	<u>\$ 3,137,901</u>	<u>\$ 34,604,085</u>	<u>\$ 1,373,423</u>	<u>\$ 36,368,563</u>	<u>\$ 34,388,823</u>	<u>\$ 1,979,740</u>
<b>Special Revenue Fund:</b>						
<b>Community Preservation Surcharge:</b>						
Levy of 2002	\$ -	\$ 762,581	\$ -	\$ 762,581	\$ 720,886	\$ 41,695

## Schedule J

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES**  
**JULY 1, 2001 TO JUNE 30, 2002**

	Uncollected Taxes July 1, 2001	Commitments	Abatements and Adjustments	Adjusted Taxes Collectible	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2002
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2002	-	\$ 1,508,421	\$ 12,106	\$ 1,496,315	\$ 1,166,882	\$ 329,433
Levy of 2001	\$ 136,687	808,881	98,192	847,376	729,691	117,685
Levy of 2000	112,572	35,195	39,278	108,489	72,794	35,695
Levy of 1999	34,220	-	-	34,220	15,569	18,651
Levy of 1998	13,475	-	-	13,475	2,105	11,370
Levy of 1997	30,813	-	-	30,813	622	30,191
Levy of 1996	34,632	-	-	34,632	462	34,170
Levy of 1995	25,989	-	-	25,989	612	25,377
Levy of 1994	5,522	-	-	5,522	-	5,522
Levy of 1993	6,522	-	-	6,522	-	6,522
Prior Years	119,366	-	6	119,360	-	119,360
<b>Total Motor Vehicle Excise Taxes</b>	<b>519,798</b>	<b>2,352,497</b>	<b>149,582</b>	<b>2,722,713</b>	<b>1,988,737</b>	<b>733,976</b>
<b>Boat Excise Taxes:</b>						
Levy of 2000	25,176	-	485	24,691	336	24,355
Levy of 1999	16,431	-	(1)	16,432	55	16,377
Levy of 1998	12,690	-	1	12,689	-	12,689
Levy of 1997	8,236	-	-	8,236	-	8,236
Levy of 1996	8,636	-	-	8,636	-	8,636
Levy of 1995	7,308	-	-	7,308	-	7,308
<b>Total Boat Excise Taxes</b>	<b>78,477</b>	<b>-</b>	<b>485</b>	<b>77,992</b>	<b>391</b>	<b>77,601</b>
<b>Total Motor Vehicle Excise and Boat Excise Taxes</b>	<b>\$ 598,275</b>	<b>\$ 2,352,497</b>	<b>\$ 150,067</b>	<b>\$ 2,800,705</b>	<b>\$ 1,989,128</b>	<b>\$ 811,577</b>

**TOWN OF NANTUCKET, MASSACHUSETTS  
SCHEDULE OF TAX LIENS AND TAX FORECLOSURES  
JULY 1, 2001 TO JUNE 30, 2002**

	<b>Uncollected Accounts July 1, 2001</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Adjusted Accounts Collectible</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Accounts June 30, 2002</b>
<b>Tax Liens</b>	\$ 1,245,402	\$ 898,014	\$ -	\$ 2,143,416	\$ 108,306	\$ 2,035,110
<b>Tax Foreclosures</b>	\$ 1,177	\$ -	\$ -	\$ 1,177	\$ -	\$ 1,177



## Schedule L

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**GENERAL FUND, SPECIAL REVENUE FUND AND ENTERPRISE FUND**  
**SCHEDULE OF DEPARTMENTAL RECEIVABLES**  
**JULY 1, 2001 TO JUNE 30, 2002**

	<b>Uncollected Accounts July 1, 2001</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Adjusted Accounts Collectible</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Accounts June 30, 2002</b>
<b>General Fund:</b>						
Our Island Home	\$ 91,095	\$ 1,722,411	\$ 149,360	\$ 1,664,146	\$ 1,552,833	\$ 111,313
Police Off-Duty Detail - Administrative Fee	474	-	-	474	-	474
Insurance Proceeds	9,180	-	-	9,180	9,180	-
	<u>\$ 100,749</u>	<u>\$ 1,722,411</u>	<u>\$ 149,360</u>	<u>\$ 1,673,800</u>	<u>\$ 1,562,013</u>	<u>\$ 111,787</u>
<b>Special Revenue Fund:</b>						
Ambulance	\$ 180,825	\$ 210,583	-	\$ 391,408	\$ 147,175	\$ 244,233
Police Off-Duty Detail	121,567	338,614	\$ 40,452	419,729	239,389	180,340
Fire Off-Duty Detail	-	20,173	-	20,173	4,628	15,545
	<u>\$ 302,392</u>	<u>\$ 569,370</u>	<u>\$ 40,452</u>	<u>\$ 831,310</u>	<u>\$ 391,192</u>	<u>\$ 440,118</u>
<b>Enterprise Departmental Receivable</b>						
<b>Audited by Other Auditors:</b>						
Nantucket Memorial Airport						<u>\$ 859,104</u>

## Schedule M

**TOWN OF NANTUCKET, MASSACHUSETTS  
GENERAL FUND AND ENTERPRISE FUND  
SCHEDULE OF ACCOUNTS RECEIVABLE  
JULY 1, 2001 TO JUNE 30, 2002**

	Uncollected Accounts July 1, 2001	Commitments	Abatements and Adjustments	Adjusted Accounts Collectible	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2002
<b>General Fund:</b>						
Landfill Fees-1990	\$ 76,320	\$ -	\$ -	\$ 76,320	\$ -	\$ 76,320
<b>Enterprise Fund:</b>						
Siasconset Water	-	\$ 181,312	-	\$ 181,312	\$ 178,850	\$ 2,462
Wastewater	\$ 192,212	923,248	\$ 108	1,115,352	894,734	220,618
Solid Waste	44,393	352,381	10,795	385,979	258,059	127,920
Solid Waste Tipping Fees	391,331	2,337,160	-	2,728,491	2,287,616	440,875
Sewer Liens Added to Taxes	9,637	-	-	9,637	1,207	8,430
Landfill Liens Added to Taxes	23,719	-	-	23,719	2,116	21,603
	661,292	3,794,101	10,903	4,444,490	3,622,582	821,908
<b>Enterprise Accounts Receivable</b>						
<b>Audited by Other Auditors:</b>						
Wannacomet Water Company						633,182
						<u>\$ 1,455,090</u>

**TOWN OF NANTUCKET, MASSACHUSETTS  
GENERAL FUND AND SPECIAL REVENUE FUND  
SCHEDULE OF SPECIAL ASSESSMENTS RECEIVABLE  
JULY 1, 2001 TO JUNE 30, 2002**

	Uncollected Accounts July 1, 2001	Commitments	Abatements and Adjustments	Adjusted Accounts Collectible	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2002
<b>General Fund:</b>						
<b>Golf View Drive Betterments Added to Taxes:</b>						
2002 Taxes	\$ -	\$ 1,545	\$ -	\$ 1,545	\$ 1,545	\$ -
2001 Taxes	329	-	-	329	329	-
2000 Taxes	144	-	-	144	144	-
<b>Golf View Drive Betterments Added to Taxes:</b>	<u>\$ 473</u>	<u>\$ 1,545</u>	<u>\$ -</u>	<u>\$ 2,018</u>	<u>\$ 2,018</u>	<u>\$ -</u>
<b>Golf View Drive Betterments Not Yet Due</b>	<u>\$ 5,206</u>	<u>\$ -</u>	<u>\$ 1,302</u>	<u>\$ 3,904</u>	<u>\$ -</u>	<u>\$ 3,904</u>
<b>Special Revenue Fund:</b>						
<b>Title V Septic Betterments Not Yet Due</b>	<u>\$ 27,252</u>	<u>\$ -</u>	<u>\$ 2,081</u>	<u>\$ 25,171</u>	<u>\$ -</u>	<u>\$ 25,171</u>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Selectmen  
Town of Nantucket, Massachusetts

We have audited the financial statements of the Town of Nantucket, Massachusetts as of and for the year ended June 30, 2002, and have issued our report thereon dated May 30, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Nantucket, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Nantucket, Massachusetts' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Town of Nantucket, Massachusetts in a separate letter dated May 30, 2003.

This report is intended for the information of the Board of Selectmen, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Thomas J. Scanlon,  
Certified Public Accountant

South Deerfield, Massachusetts  
May 30, 2003

**TOWN OF NANTUCKET, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Federal Grantor/Pass-Through Grantor/ Program Title</b>	<b>State/ Pass-Through Identification Number</b>	<b>Federal CFDA Number</b>	<b>Federal Awards Expended</b>
<b>U. S. Department of Agriculture</b>			
Passed Through Commonwealth of Massachusetts Department of Education:			
Food Distribution-School Lunch Commodities	10-197	10.550	\$ 22,312
School Breakfast Program	10-197	10.553	2,239
National School Lunch Program	10-197	10.555	30,478
<b>Total U. S. Department of Agriculture</b>			<u>55,029</u>
<b>U. S. Department of the Interior</b>			
Passed Through Commonwealth of Massachusetts			
Department of Fisheries, Wildlife and Environmental Law Enforcement:			
Clean Vessel Act		15.616	7,277
<b>Total U. S. Department of the Interior</b>			<u>7,277</u>
<b>U. S. Department of Justice</b>			
Direct Programs:			
Office of Justice Programs			
COPS MORE Grant No. 98CMWX1271		16.710	13,933
<b>Total U. S. Department of Justice</b>			<u>13,933</u>
<b>U. S. Department of Transportation</b>			
Direct Program:			
Federal Aviation Administration			
Airport Improvement Program:			
Grant No. 3-25-0033-27		20.106	1,424,718
Grant No. 3-25-0033-28		20.106	185,356
Grant No. 3-25-0033-29		20.106	836,311
Grant No. 3-25-0033-30		20.106	236,409
Grant No. 3-25-0033-31		20.106	67,230
Grant No. 3-25-0033-32		20.106	233,353
Grant No. 3-25-0033-33		20.106	107,893
Passed Through Commonwealth of Massachusetts			
Highway Department:			
Highway Planning and Construction:			
3C Transportation Planning	98360	20.205	35,323
3C Transportation Planning	32054	20.205	24,215
<b>Total U. S. Department of Transportation</b>			<u>3,150,808</u>
<b>U. S. Department of Education</b>			
Passed Through Commonwealth of Massachusetts Department of Education:			
Title I-2002	305-293-2-0197-C	84.010	73,940
Special Education 94-142 Allocation-2001	240-303-1-0197-B	84.027	1,044
Special Education 94-142 Allocation-2002	240-231-2-0197-C	84.027	132,345
Special Education Program Improvement-2002	274-288-2-0197-C	84.027	6,321
Title VI-2002	302-229-2-0197-C	84.151	2,941
Teacher Training Math and Science-2001	303-251-1-0197-B	84.164	575
Special Education Early Childhood Allocation-2002	262-159-2-0197-C	84.173	9,027
Passed Through Cape Cod Community College:			
School to Work Transition		84.278	982
<b>Total U. S. Department of Education</b>			<u>227,175</u>
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<u>\$ 3,454,222</u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2002**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is a summary of the expenditures of the Town's federal award programs presented on the modified accrual basis of accounting.

Under the modified accrual basis of accounting expenditures are recorded when the liability is incurred, if measurable.

**2. FOOD DISTRIBUTION**

Non-cash assistance, such as food commodities and donated equipment, is reported in the schedule at the fair market value of the commodities received and disbursed.

**TOWN OF NANTUCKET, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**Section 1-Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness identified?	No
Reportable condition identified not considered to be a material weakness?	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness identified?	No
Reportable condition identified not considered to be a material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.106	U. S. Department of Transportation - Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	No

**Section II-Financial Statement Findings**

There are no reportable conditions in internal control over major programs.

**Section III-Federal Award Findings and Questioned Costs**

There are no findings or questioned costs noted on federal programs.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Honorable Board of Selectmen  
Town of Nantucket, Massachusetts

Compliance

We have audited the compliance of the Town of Nantucket, Massachusetts with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The Town of Nantucket, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Nantucket, Massachusetts' management. Our responsibility is to express an opinion on the Town of Nantucket, Massachusetts' compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Nantucket, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Nantucket, Massachusetts' compliance with those requirements.

In our opinion, the Town of Nantucket, Massachusetts complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Town of Nantucket, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Nantucket, Massachusetts' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Selectmen, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Thomas J. Scanlon,  
Certified Public Accountant

South Deerfield, Massachusetts  
May 30, 2003



## INDEPENDENT AUDITOR'S REPORT

To the County Commissioners  
County of Nantucket, Massachusetts

We have audited the accompanying general purpose financial statements of the County of Nantucket, Massachusetts as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the County of Nantucket, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Nantucket Islands Land Bank, which statement reflect total assets of \$122,877,763 as of June 30, 2002, and total revenues of \$8,535,174 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts identified for the Nantucket Islands Land Bank, is based on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

As is the practice of many governmental units in the Commonwealth of Massachusetts, the County has not maintained a complete record of the cost of its general fixed assets and, accordingly, a complete general fixed assets account group, required by generally accepted accounting principles, is not presented in the accompanying general purpose financial statements.

In our opinion, based on our audit and the reports of other auditors, except for the omission of a complete general fixed asset group of accounts, results in an incomplete presentation, as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Nantucket, Massachusetts, as of June 30, 2002 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2003 on our consideration of the County of Nantucket, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the County of Nantucket, Massachusetts, taken as a whole. The combining statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the County of Nantucket, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Thomas J. Scanlon,  
Certified Public Accountant

South Deerfield, Massachusetts  
May 30, 2003

**COUNTY OF NANTUCKET, MASSACHUSETTS**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT**  
**JUNE 30, 2002**

	<b>Governmental Fund Types</b>		<b>Totals Primary Government</b>	<b>Component Unit</b>	<b>Totals Reporting Entity</b>
	<b>General</b>	<b>Special Revenue</b>	<b>(Memorandum Only)</b>	<b>Nantucket Islands Land Bank</b>	<b>(Memorandum Only)</b>
<b>Assets</b>					
Cash and Cash Equivalents (Schedule B, Note 2A)	\$ (33,085)	\$ 2,922,042	\$ 2,888,957	\$ 9,056,261	\$ 11,945,218
Accounts Receivable	-	-	-	9,411	9,411
Due from Other Funds (Note 2B)	859,469	-	859,469	-	859,469
Due from Other Governments (Note 2C)	52,681	-	52,681	-	52,681
Other Assets:					
Accrued Interest Receivable	-	-	-	348,982	348,982
Prepaid Fees	-	-	-	174,078	174,078
Cash Value of Life Insurance	-	-	-	246,200	246,200
Designated Assets (Note 2G):					
Cash and Cash Equivalents	-	-	-	2,707,048	2,707,048
Investments	-	-	-	2,827,417	2,827,417
Real Estate (Note 2D)	-	-	-	107,508,366	107,508,366
<b>Total Assets</b>	<b>\$ 879,065</b>	<b>\$ 2,922,042</b>	<b>\$ 3,801,107</b>	<b>\$ 122,877,763</b>	<b>\$ 126,678,870</b>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities:</b>					
Warrants Payable (Note 2E)	\$ 7,404	-	\$ 7,404	-	\$ 7,404
Accounts Payable	-	-	-	46,836	46,836
Employee Withholding:	(5,984)	-	(5,984)	-	(5,984)
Due to Other Funds (Note 2B)	-	\$ 859,469	859,469	-	859,469
Due to Other Governments	24,607	-	24,607	-	24,607
Accrued Expenses	-	-	-	8,566	8,566
Accrued Interest Payable	-	-	-	385,537	385,537
Security Deposits	-	-	-	1,000	1,000
Current Portion of Notes Payable (Note 2F)	-	-	-	1,700,000	1,700,000
Current Portion of Bonds Payable (Note 2F)	-	-	-	1,024,870	1,024,870
Notes Payable - net of current portion (Note 2F)	-	-	-	3,375,000	3,375,000
Bonds Payable - net of current portion (Note 2F)	-	-	-	13,492,919	13,492,919
<b>Total Liabilities</b>	<b>26,027</b>	<b>859,469</b>	<b>885,496</b>	<b>20,034,728</b>	<b>20,920,224</b>
<b>Fund Equity:</b>					
Retained Earnings/Fund Balances					
Unrestricted:					
Designated for Specific Purposes (Note 2G)	-	-	-	5,534,465	5,534,465
Undesignated	-	-	-	97,308,570	97,308,570
Fund Balances					
Undesignated	853,038	2,062,573	2,915,611	-	2,915,611
<b>Total Fund Equity</b>	<b>853,038</b>	<b>2,062,573</b>	<b>2,915,611</b>	<b>102,843,035</b>	<b>105,758,646</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 879,065</b>	<b>\$ 2,922,042</b>	<b>\$ 3,801,107</b>	<b>\$ 122,877,763</b>	<b>\$ 126,678,870</b>

The Notes to the Financial Statements are an integral part of this Statement

**COUNTY OF NANTUCKET, MASSACHUSETTS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR JUNE 30, 2002**

	<b>Governmental Fund Types</b>		<b>Totals</b>
	<b>General Fund</b>	<b>Special Revenue</b>	<b>(Memorandum Only)</b>
<b>Revenues:</b>			
Town Assessment	\$ 100,000	-	\$ 100,000
Departmental	368,261	\$ 781,893	1,150,154
<b>Total Revenues</b>	<u>468,261</u>	<u>781,893</u>	<u>1,250,154</u>
<b>Expenditures:</b>			
County Administration	191,207	-	191,207
Registry of Deeds	288,473	-	288,473
Sheriff's Department	511,313	60,194	571,507
Special Projects	2,339	11,980	14,319
Escrows	-	10,515	10,515
<b>Total Expenditures</b>	<u>993,332</u>	<u>82,689</u>	<u>1,076,021</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(525,071)	699,204	174,133
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	394,217	-	394,217
Operating Transfers Out	-	(394,217)	(394,217)
<b>Total Other Financing Sources (Uses)</b>	<u>394,217</u>	<u>(394,217)</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	(130,854)	304,987	174,133
<b>Fund Balances, Beginning of Year</b>	<u>983,892</u>	<u>1,757,586</u>	<u>2,741,478</u>
<b>Fund Balances, End of Year</b>	<u>\$ 853,038</u>	<u>\$ 2,062,573</u>	<u>\$ 2,915,611</u>

The Notes to the Financial Statements are an integral part of this Statement.

## Exhibit C

**COUNTY OF NANTUCKET, MASSACHUSETTS  
COMBINED STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGETARY BASIS - (NON-GAAP) -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR JUNE 30, 2002**

	Budget/ Net Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Town Assessment	\$ 100,000	\$ 100,000	-
Registry of Deeds	258,000	253,783	\$ (4,217)
Other Departmental	105,000	114,478	9,478
<b>Total Revenues</b>	<u>463,000</u>	<u>468,261</u>	<u>5,261</u>
<b>Expenditures:</b>			
County Administration	196,796	191,207	5,589
Registry of Deeds	365,907	288,473	77,434
Sheriff's Department	600,810	511,313	89,497
Other	-	2,339	(2,339)
<b>Total Expenditures</b>	<u>1,163,513</u>	<u>993,332</u>	<u>170,181</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(700,513)</u>	<u>(525,071)</u>	<u>175,442</u>
<b>Other Financing Sources (Uses):</b>			
Interfund	553,713	394,217	(159,496)
<b>Total Other Financing Sources (Uses)</b>	<u>553,713</u>	<u>394,217</u>	<u>(159,496)</u>
<b>Budget Variance:</b>			
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>\$ (146,800)</u>	<u>\$ (130,854)</u>	<u>\$ 15,946</u>

The Notes to the Financial Statements are an integral part of this Statement.

**Exhibit D**

**COUNTY OF NANTUCKET, MASSACHUSETTS  
COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCES -  
DISCRETELY PRESENTED COMPONENT UNIT  
FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Component Unit</b>	<b>Totals Reporting Entity</b>
	<b>Nantucket Islands Land Bank</b>	<b>(Memorandum Only)</b>
<b>Revenues:</b>		
Fee Revenue	\$ 7,439,568	\$ 7,439,568
Interest Earned	679,775	679,775
Donated Land	236,689	236,689
Contributions	109,404	109,404
Rental Income	33,178	33,178
Miscellaneous Income	36,560	36,560
<b>Total Revenues</b>	<b>8,535,174</b>	<b>8,535,174</b>
<b>Expenses:</b>		
Administrative Expenses	744,987	744,987
Interest Expense	1,062,350	1,062,350
Capital Projects Property	285,641	285,641
<b>Total Expenses</b>	<b>2,092,978</b>	<b>2,092,978</b>
<b>Excess of Revenues Over Expenses</b>	<b>6,442,196</b>	<b>6,442,196</b>
<b>Fund Balances, Previously Reported</b>	<b>96,477,027</b>	<b>96,477,027</b>
Prior Period Adjustment, understatement of depreciation expense	(76,188)	(76,188)
<b>Fund Balances, Beginning of Year</b>	<b>96,400,839</b>	<b>96,400,839</b>
<b>Fund Balances, End of Year</b>	<b>\$ 102,843,035</b>	<b>\$ 102,843,035</b>

The Notes to the Financial Statements are an integral part of this Statement.

**COUNTY OF NANTUCKET, MASSACHUSETTS  
COMBINED STATEMENT OF CASH FLOWS -  
DISCRETELY PRESENTED COMPONENT UNIT  
FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Component Unit</b>	<b>Totals Reporting Entity</b>
	<b>Nantucket Islands Land Bank</b>	<b>(Memorandum Only)</b>
<b>Cash Flows From Operating Activities:</b>		
Excess of Revenues Over Expenses	\$ 6,442,196	\$ 6,442,196
Adjustments to reconcile excess of revenues over expenditures to cash provided by operating activities		
Depreciation	19,147	19,147
Amortization of Original Issued Discour	16,917	16,917
Net Increase in Cash Value of Life Insuranc	(62,200)	(62,200)
Net Increase in Donated Land	(236,689)	(236,689)
Net Decrease in Accounts Receivable	3,434	3,434
Net Decrease in Life Insurance Proceeds Receivable	685,157	685,157
Net Increase in Accrued Interest Receivable	(1,321)	(1,321)
Net Increase in Accrued Expenses		
Accrued Interest, Security Deposits and Accounts Payable	13,795	13,795
Net Adjustments	438,240	438,240
<b>Net Cash Provided by Operating Activities</b>	<b>6,880,436</b>	<b>6,880,436</b>
<b>Cash Flows from Investing Activities</b>		
Acquisition of Land, Building and Improvements	(12,202,120)	(12,202,120)
Sale of Investments	2,000,000	2,000,000
Net Increase in Land Deposits	(14,085)	(14,085)
<b>Net Cash Applied to Investing Activities</b>	<b>(10,216,205)</b>	<b>(10,216,205)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on Notes Payable	(230,000)	(230,000)
Payment on Bonds Payable	(585,000)	(585,000)
<b>Net Cash Applied to Financing Activities</b>	<b>(815,000)</b>	<b>(815,000)</b>
<b>Net Increase in Cash and Cash Equivalents:</b>	<b>(4,150,769)</b>	<b>(4,150,769)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>15,914,078</b>	<b>15,914,078</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 11,763,309</b>	<b>\$ 11,763,309</b>
<b>Cash and Cash Equivalents, Restricted</b>	<b>\$ 2,707,048</b>	<b>\$ 2,707,048</b>
<b>Cash and Cash Equivalents, Unrestricted</b>	<b>9,056,261</b>	<b>9,056,261</b>
	<b>\$ 11,763,309</b>	<b>\$ 11,763,309</b>
<b>Additional Disclosure of Cash Flow Information</b>		
Interest Paid During the Year	\$ 1,082,638	\$ 1,082,638
<b>Supplemental Disclosure of Non-Cash Activity</b>		
During Fiscal Year 2002, the Land Bank received land through donations in the amount of \$236,689.		
During Fiscal Year 2002, Land Bank deposits on real estate at June 30, 2001 in the amount of \$431,150 was applied toward land acquisitions.		

The Notes to the Financial Statements are an integral part of this Statement.

**COUNTY OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The County of Nantucket, Massachusetts is located in the Atlantic Ocean and lies approximately 30 miles south of Cape Cod in the Commonwealth of Massachusetts.

The Town of Nantucket comprises the County of Nantucket.

The Town of Nantucket selectmen serve ex officio as the County Commissioners.

The principal services provided by the county are the Registry of Deeds and the Sheriff's Office.

As required by generally accepted accounting principles, the accompanying financial statements present the County of Nantucket and its component unit, an entity for which the government is considered to be financially accountable. There are two types of component units. Blended component units are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column of the combined financial statements to emphasize it is legally separated from the government. The discretely presented component unit has a June 30 year end.

Discretely Presented Component Unit:

The Nantucket Islands Land Bank (the Land Bank) was created by Chapter 669 of the Acts of 1983 of the Commonwealth of Massachusetts to acquire and manage open space and resource protection on the Island of Nantucket Islands. The Land Bank is administered by the Nantucket Islands Land Bank Commission comprised of five members. The Land Bank is presented as a proprietary fund type.

Complete financial statements for the individual component unit may be obtained at the entity's administrative offices at Broad Street, Nantucket, Massachusetts.

**B. Basis of Presentation**

The County maintains its accounting records in accordance with practices prescribed by the Commonwealth of Massachusetts. The accounting requirements of this system differ in some respects from accounting practices prescribed by generally accepted accounting principles. Certain adjustments and reclassifications have been made to present the accompanying financial statements in accordance with generally accepted accounting principles except for one principal difference. This difference is described below.

**Fixed Assets** - The County does not maintain, and therefore does not report, a general fixed assets account group in accordance with generally accepted accounting principles.

**C. Fund Accounting**

The accounts of the County are presented on the basis considered to be a separate accounting entity. The operations of each fund are accounted for in a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, expenditures or expenses and other financing sources and

**COUNTY OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

uses. The following funds are used in accounting for the financial operations of the County of Nantucket.

**Governmental Fund Types** - Governmental fund types are those through which most governmental functions are typically financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities - except activities accounted for in proprietary funds - are accounted for through governmental funds. The governmental funds maintained by the County are as follows:

**General Fund** - The fund is used to reflect the financial transactions related to governmental activities which are not otherwise accounted for in another fund.

**Special Revenue Funds** - The funds are used to account for the proceeds of specific revenue sources, the uses of which are restricted to specific purposes.

**Proprietary Fund Types** - Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The proprietary fund maintained by the component unit is as follows:

**Enterprise Funds** - Enterprise funds are used to account for operations (a) that are financed primarily through user charges, or (b) where the governing body has decided that determination of net income is appropriate.

**D. Basis of Accounting**

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon thereafter to be used to pay current liabilities. Expenditures, other than interest on long term debt, are recorded when the liability is incurred, if measurable. In addition, expenditures made during the fifteen days following the close of each fiscal year which are related to the prior year are recorded as paid on June 30th. If necessary, certain appropriation balances are carried forward to permit liquidation of outstanding bills and purchase orders in the succeeding fiscal year.

The accrual basis of accounting is used by the proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**E. Budgetary Data**

An annual budget is adopted for the County's General Fund. Comparison of budget to actual is only presented for the General Fund.

The County's annual budget is legally enacted by vote of the County Commissioners.

The County's annual budget is adopted on a statutory basis that differs in some respects from generally accepted accounting principles (GAAP). Therefore, in addition to the modified accrual basis financial statements, the results of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with the budget.



**COUNTY OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Data (Continued)**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is normally employed in government funds. Currently, the County of Nantucket is not on the encumbrance method of accounting.

**F. Assets, Liabilities, and Fund Equity**

**1. Cash and Cash Equivalents**

Cash balances from all funds, except those required to be segregated by law, are combined to form a pool of cash. Cash balances are invested to the extent available and interest earnings are recognized in the General Fund. Certain special revenue funds cash is segregated and investment earnings become a part of those funds.

**2. Designated Assets**

Certain proceeds of the proprietary fund (the Land Bank) revenue bonds, as well as certain resources set aside for their repayment, are classified as designated assets on the balance sheet because their use is limited by applicable bond covenants. Other designated assets consists of a working capital reserve fund, whereby the Land Bank has entered into an agreement with the Town of Nantucket which requires the Land Bank to establish a working capital reserve fund. This fund, along with the pledge of the Town of Nantucket of its full faith and credit, secures the Series 98E bonds outstanding at June 30, 2002.

**3. Receivables and Payables**

Receivables are recorded when billed and are shown as a gross amount.

Due from/to Other Funds arises during the course of the operations from the pooling of cash and as funds provide services to each other.

Warrants payable consists of goods and services that have been received or rendered and are to be paid in the following fiscal year.

**4. Fixed Assets**

Disbursements related to the acquisition of fixed assets are considered expenditures in the year payments are made. Currently the system of accounting for the governmental funds does not provide for capitalizing such expenditures of the acquiring funds. Accordingly, a statement of general fixed assets is not included in the accompanying financial statements.

The assets in the proprietary fund (the Land Bank) are recorded at cost when purchased, or assessed value at the date of gift. Depreciation is computed using the straight-line method with an estimated useful life of between forty and fifty years for buildings and improvements.

**COUNTY OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Assets, Liabilities, and Fund Equity (Continued)**

**5. Long-term Obligations**

Long term debt financed by proprietary fund are reported as liabilities in the appropriate funds.

**6. Fund Equity**

Reservations of fund balance accounts represent amounts that are legally segregated for a specific purpose. Designated retained earnings is used to segregate a portion of retained earnings for a specific purpose.

**7. Memorandum Only - Total Columns**

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are prepared only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**G. Revenues, Expenditures, and Expenses**

**1. Revenues**

Generally, revenues of governmental fund types are recognized when measurable and available except for certain revenue sources which are not susceptible to accrual.

Grant revenues are considered measurable and available and recorded simultaneously with the grant expenditure unless recognition is prohibited by the grant requirements.

Revenues for the proprietary fund (the Land Bank) are fee revenue that is equal to two percent of the purchase price of real property and is recognized on transfer. Interest income generated on investments is recognized as earned. Rental income is recognized when earned.

**2. Compensated Absences**

The County grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. A determination of the amount of sick and vacation leave liability could not be determined; therefore the accrued liability is not reflected on the accounts of the County.

**3. Grant, Entitlements and Shared Revenue**

Grant revenues are considered measurable and available and recorded simultaneously with the grant expenditure unless recognition is prohibited by the grant requirements.

**COUNTY OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP**

**A. Deposits**

The County maintains a cash pool that is available for use by all funds. The portion of the pool allocated to each fund type is displayed on the combined balance sheet as "Cash and Cash Equivalents."

State and local statutes place certain limitations on the nature of deposits and investments to the County. Generally the treasurer of the County is authorized to invest in the following investments: national banks, savings banks or banking companies, or obligations issued or unconditionally guaranteed by the United States government or agency thereof and having a maturity from date of purchase of one year or less, with certain other limitations.

The carrying amount of the County's deposits with financial institutions was \$2,888,957 and the bank balance was \$2,958,168. The bank balance is categorized as follows:

Amount insured by the FDIC and DIF or collateralized with securities held by the County in its name	\$ 1,607,361
Amount collateralized with securities held by the pledging financial institution's trust department in the County's name	<u>1,350,807</u>
	<u><u>\$ 2,958,168</u></u>

**B. Due From/To Other Funds**

The composition of due from/due to other funds as a result of the pooling of cash at June 30, 2002 were are follows:

<b>Fund</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund	\$ 859,469	\$ -
Special Revenue Fund	<u>-</u>	<u>859,469</u>
	<u><u>\$ 859,469</u></u>	<u><u>\$ 859,469</u></u>

**C. Due from Other Governments**

Due from other governments consists of the following:

<b>General Fund:</b>	
Nantucket Islands Land Bank (Component Unit)	<u><u>\$ 52,681</u></u>

**COUNTY OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**D. Real Estate**

The following is a summary of proprietary fund type real estate of the Land Bank, a discretely presented component unit, at June 30, 2002:

Land	\$ 106,619,080
Land Deposits	46,281
Buildings and Improvements, net	843,005
	<u>\$ 107,508,366</u>

**E. Warrants Payable**

Warrants Payable consists of goods and services that have been received or rendered. At June 30, 2002 warrants payable consists of general fund expenditures.

**F. Long Term Debt**

**Notes Payable**

Notes payable at June 30, 2002 are as follows:

Marble Charitable Remainder Annuity Trust:

Principal is relieved upon death of the survivor of the Marble Charitable Remainder Annuity Trust	
Interest rate at 6.0632% per annum is paid on a quarterly basis on the unpaid balance	\$ 1,700,000

Mary P. Gardner and Donald E. McNamee and the Mary P. Gardner Hummock Pond Conservation Trust

Principal is relieved upon the termination of the Mary P. Gardner Hummock Pond Conservation Trust	
Interest rate at 6.5% per annum is paid on a quarterly basis on the unpaid balance	425,000

Mary P. Gardner and Donald E. McNamee and the Mary P. Gardner Hummock Pond Conservation Trust

Principal is relieved upon the termination of the Mary P. Gardner Hummock Pond Conservation Trust	
Interest rate at 6.5% per annum is paid on a quarterly basis on the unpaid balance	625,000

Joan P. Craig and the East Harbor Real Estate Trust:

Final payment of \$2,325,000 due in 2006	
Interest rate at 6.0% per annum is paid on a quarterly basis on the unpaid balance	<u>2,325,000</u>

	\$ 5,075,000
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Less: Current Portion	<u>1,700,000</u>
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Long Term Debt	<u><u>\$ 3,375,000</u></u>
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**COUNTY OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**F. Long Term Debt (Continued)**

**Notes Payable (Continued)**

Maturities of long-term debt in subsequent years are as follows:

<b>Year Ended</b>	<b><u>Amount</u></b>
<b>June 30,</b>	
<b>2003</b>	\$ 1,700,000
<b>2004</b>	-
<b>2005</b>	625,000
<b>2006</b>	<u>2,750,000</u>
	<u><u>\$ 5,075,000</u></u>

**Bonds Payable**

Bonds payable on the Land Bank, a discretely presented component unit, are as follows:

Refunding Bonds, Series D	\$ 2,320,000
Refunding Bonds, 1998 Series E	
Discount, net of accumulated amortization	<u>12,197,789</u>
	14,517,789
Less: Current Portion	<u>1,024,870</u>
Long Term Bonds Payable	<u><u>\$ 13,492,919</u></u>

The Series D Refunding Bonds are dated January 1, 1991. The bonds bear interest at rates ranging from 5 3/4 percent to 7 percent and mature serially from July 1, 1992 through July 1, 2005. The bonds are secured by a first priority security interest in the Land Bank's present and future transfer fees and unrestricted revenue. The bonds are also secured by a municipal bond insurance policy. In addition, Series D Bonds are secured further by a debt service reserve fund.

The 1998 Series E refunding bonds dated July 15, 1998 bear interest rates ranging from 4.25 percent to 5.25 percent and mature serially from July 1, 2002 through July 1, 2019. The bonds are secured by a second priority security interest in the Land Bank's present and future transfer fees and unrestricted revenue. These bonds are also secured by a pledge of the full faith and credit of the Town of Nantucket.

Maturities of long-term debt in subsequent years are as follows:

**COUNTY OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP (Continued)**

**F. Long Term Debt (Continued)**

**Bonds Payable (Continued)**

<b>Year Ended</b>	<b><u>Amount</u></b>
<b>June 30,</b>	
<b>2003</b>	\$ 1,024,870
<b>2004</b>	1,079,870
<b>2005</b>	1,139,870
<b>2006</b>	1,204,870
<b>2007</b>	524,870
<b>Thereafter</b>	<u>9,543,439</u>
	<u><u>\$ 14,517,789</u></u>

**G. Designated Retained Earnings and Designated Asset Accounts**

**Designated Asset Accounts**

The balances of the Land Bank, a discretely presented component unit, designated asset accounts are as follows:

***Cash and Cash Equivalents:***

Debt service funds	\$ 1,451,191
Reserve fund	608,000
Miacomet Park 2000	214,598
Security deposit fund	1,000
Marbel reserve fund	294,012
Gardner reserve fund	138,247
	<u>\$ 2,707,048</u>

***Investments:***

Certificate of deposits	<u>\$ 2,827,417</u>
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The Land Bank has entered into an agreement with the Town of Nantucket which requires the Land Bank to establish a working capital reserve fund. This fund, along with the pledge of the Town of Nantucket of its full faith and credit, secures the Series 98E bonds outstanding at June 30, 2002. In addition the Land Bank is prohibited from acquiring additional real estate at any time that an amount equal to one year's debt service in the reserve fund is not on deposit.

**COUNTY OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**3. OTHER INFORMATION**

**A. Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The County has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

**B. Claims and Litigation**

In the opinion of County counsel, there is no litigation pending, which, either individually or in the aggregate, is likely to result in final judgments against the County that would materially affect the County's financial position or its ability to pay its obligations.

**C. Employee Retirement Systems and Plans**

**Plan Description**

The County, as a member of the Barnstable County Retirement System, participates in a contributory retirement system that is partially funded by employee contributions. Each participating employers' share of the total annual contribution is determined on the basis of active payroll.

The retirement system is a contributory defined benefit plan covering all County employees deemed eligible. The retirement system is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws. Participation is mandatory for all full-time employees whose employment commences prior to age 65. Eligibility with respect to part-time professional, temporaries or intermittal employment is governed by the local board.

The system provides for retirement allowance benefits. For an employee to be eligible for service retirement, the following conditions are to be met: (1) completion of 20 years of service; (2) for an employee hired prior to 1978, attainment of age 55 as an active member; (3) for an employee hired after 1978, attainment of age 55 as an active member and completion of 10 years of service. Benefit payments are based upon a member's age, length of credited service, level of compensation and group classification. The retirement allowance is determined as a product of the participant's benefit rate times the average salary during the three consecutive year period which produces the highest average times credited service.

A participant who has completed 10 or more years of credited service is eligible for a deferred vested retirement benefit. If termination is involuntary, the participant is vested after 6 years. The participant's accrued benefit is payable commencing at age 55 or may be deferred until later at the employee's option. The system also provide for accidental disability, ordinary disability, and survivor benefits.

Active members contribute either 5, 7, 8 or 9% of their gross regular compensation depending on the date upon which their membership began.

**COUNTY OF NANTUCKET, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2002**

**3. OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Plans (Continued)**

**Funding Status**

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess, on a going concern basis, the funding status of the retirement system to which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employees. The measure is independent of the actuarial funding method used to determine contributions to the retirement system.

The last actuarial valuation was prepared by the Segal Company as of January 1, 2002.

The unfunded actuarial liability for the County of Nantucket employees is approximately \$641,533.

**Contribution Requirements and Contribution Made**

The system's funding policy is governed by Section 22D, 6A of Chapter 32 of the Massachusetts General Laws. Under these sections the system is a "funding system" and has established a state-approved funding schedule to eliminate its unfunded liability. The members of the system are required to fund each year the actuarially determined normal cost plus an amount to amortize the unfunded liability. Amortization of the unfunded actuarial liability is to be based on a forty year schedule ending in 2028 for unfunded liabilities prior to removal of the salary cap and thirty year amortization of the additional unfunded liability for removal of the cap.

The County's contribution to this plan for fiscal year 2002 was \$64,819.

**Reporting Policies**

The funds of the retirement system are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued, and investments are amortized to value. The accounting records of the retirement system are maintained on a calendar basis in accordance with the standards and procedures outlined by the Commissioner of the Public Employee Retirement Administration.

**Trend Information**

Trend information showing the retirement system's progress in accumulating sufficient assets to pay benefits when due is required by generally accepted accounting principles to be included in the system's annual financial report. It is not known whether that report will contain the required historical trend information.



**COUNTY OF NANTUCKET, MASSACHUSETTS**  
**COMBINING STATEMENT OF SPECIAL REVENUE FUND REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2002**

				<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>Fund Balances July 1, 2001</b>	<b>Fund Balances June 30, 2002</b>
	<b>Revenues</b>	<b>Expenditures</b>	<b>Other Financing Sources (Uses)</b>			
Deeds Excise Fund	\$ 661,375	-	\$ (394,217)	\$ 267,158	\$ 1,414,655	\$ 1,681,813
Sheriff State Grant Funds	59,714	\$ 60,194	-	(480)	1,021	541
Juvenile Federal Grant Fund	-	-	-	-	1,771	1,771
Polpis Road Bike Path Escrow Account	-	-	-	-	(129,429)	(129,429)
Other Escrow Accounts	6,425	11,980	-	(5,555)	276,361	270,806
Special Projects	-	-	-	-	19,790	19,790
License Plates	54,379	10,515	-	43,864	173,417	217,281
	<u>\$ 781,893</u>	<u>\$ 82,689</u>	<u>\$ (394,217)</u>	<u>\$ 304,987</u>	<u>\$ 1,757,586</u>	<u>\$ 2,062,573</u>

**Schedule B**

**COUNTY OF NANTUCKET, MASSACHUSETTS  
SCHEDULE OF TREASURER'S CASH  
JUNE 30, 2002**

**Composition of Cash Balances:**

Interest Bearing Accounts:

Fleet Bank	\$ 1,587,104
Nantucket Bank	<u>1,304,092</u>
	2,891,196
Cash Variance	<u>(2,239)</u>
	<u><u>\$ 2,888,957</u></u>

**Presentation of Cash on Balance Sheet:**

General Fund	\$ (33,085)
Special Revenue Fund	<u>2,922,042</u>
	<u><u>\$ 2,888,957</u></u>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the County Commissioners  
County of Nantucket, Massachusetts

We have audited the financial statements of the County of Nantucket, Massachusetts as of and for the year ended June 30, 2002, and have issued our report thereon dated May 30, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County of Nantucket, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Nantucket, Massachusetts' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the County of Nantucket, Massachusetts in a separate letter dated May 30, 2003.

This report is intended for the information of the County Commissioners, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Thomas J. Scanlon,  
Certified Public Accountant

South Deerfield, Massachusetts  
May 30, 2003